

AVESF 8.4.1-3
4 Jan 1980

Potlatch

Meeting No. 1
November 1, 1979
San Francisco

Intra Company Memo

To: J. R. Morris

Date: November 2, 1979

From: J. M. Benson
Location: Corporate Traffic

Subject: Milwaukee Road Update - No. 14

Listed below is an update of Milwaukee Road activities as of this date.

- 1 - The negotiating team met with Mr. Pete White, VP - Planning, on November 1, 1979, to discuss the purchase of the railroad. Mr. Worth Smith and other Milwaukee officials were not present due to the unexpected embargo of western lines the previous day. Mr. Steele opened the meeting with a review of long term relationships between the two companies, which encompasses two areas. First, traffic dedication and arrangements that may be considered in providing routings to the core railroad. Second, Milwaukee Land Company timberlands and arrangements that may include a right of first refusal for Potlatch to purchase their Idaho lands. Mr. White will have an answer for us at our next meeting regarding the timberlands question. Four conditions were outlined by Mr. Steele as essential prerequisites to our concluding any agreement with the Milwaukee Road. They are:
 - a - Milwaukee Road must assume all responsibility for labor protection.
 - b - Existing Milwaukee Road employees will be considered for work on the new railroad.
 - c - The ICC must award Potlatch some type of terminable operating certificate which will permit us to discontinue operations on short notice, perhaps 90 days.
 - d - Potlatch will seek a contractor operator to manage the railroad, such as a Kyle Railways.

It was agreed that the Milwaukee Road will furnish us with the following information:

- a - Right-of-way plats showing property descriptions with an itemized breakdown of ownership which is fee, reversionary, easement, clouded, etc.
- b - A listing of locomotives that would be available for our purchase. The listing should show the equipment ID number and location for an on-site inspection.
- c - Copies of lease agreements with the existing four lessors holding title to the log equipment.

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November 2, 1979
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- d - A listing of all maintenance of way equipment, showing car ID numbers that is presently used in maintaining the track in and around St. Maries and that would be available for our purchase.
- e - Work papers detailing their computation of track scrap values.
- f - Copies of agreements between the Milwaukee Road and the Pend Orielle Valley Railroad and the Seattle and North Coast Railroad.

It was agreed that we would meet again in San Francisco on Tuesday, November 20, 1979 at 1:00 p.m.

- 2 - After the meeting, the negotiating team met and the following matters were discussed:

Land Values - Mr. Wynne Blake will pursue in obtaining an appraisal of the railroad right-of-way lands. Information from Mr. Walt Mallory's office relative to our efforts to purchase Milwaukee Road lands on the abandoned Elk River Branch will be forwarded. Mr. Blake will also investigate getting title insurance.

Track Scrap Values - Kyle Railways will be requested to perform a detailed track inspection and prepare a formal appraisal of track scrap values.

Equipment - Physical inspections and appraisals will be performed on the log flats, locomotives and maintenance of way equipment. An investigation will be conducted to assess open market values on each equipment category.

Legal Matters - Mr. Wynne Blake will work directly with Mr. Fritz Kahn, attorney for Kyle Railways, Weyerhaeuser, and others, concerning legal ramifications and the possible filing of a certificate request.

Financial - Mr. Gordon Page will compute a financial review of projected income and expenditures without cost reductions accrued through truck savings, for a three to five year period.

Equipment Leasing - Mr. Rod Steele will investigate with Mr. Bob Wulf, the possibility of purchasing the log flats and/or locomotives and selling the equipment back to a leasing company.

- 3 - As discussed and agreed, Mr. Andy Bayer will be added to the Milwaukee Road correspondence list to keep him advised on the labor issues.
- 4 - The matter of Potlatch approaching the ICC to urge the issuing of a directed service order was discussed between Messrs. Warner, Morris

Milwaukee Road Update - No. 14

November 2, 1979

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Page and Benson. It was agreed that we would do nothing at this time in the hope that a political solution will soon be reached. On Wednesday evening, November 7, 1979, Mr. George Cheek will be in Washington, D. C. Consideration may be given at that time for us to exercise our option of requesting the ICC to issue a directed service order.


JMB:nph

cc: F. A. Bayer
W. M. Blake
G. C. Cheek
F. M. Davis
G. R. Page
R. M. Steele
R. V. Warner

Potlatch

Meeting No. 2
November 20, 1979
San Francisco

Intra Company Memo

To: J. R. Morris

Date: November 21, 1979

From: J. M. Benson

Location: Corporate Traffic

Subject: Milwaukee Road Update - No. 20

Listed below is an update of Milwaukee Road activities as of this date.

- 1 - The negotiating team met for the second time on November 20, 1979 with the Milwaukee Road to discuss possible purchase of rail lines in and around St. Maries. The Milwaukee was represented by Mr. Pete White, VP - Planning, Mr. John Rowe, Trustee's Counselor, and Mr. Virgil Fairchild, Director - Strategic Planning. Mr. Steele opened the meeting. The following points were discussed:
 - a - The Milwaukee would be agreeable to accepting a proposal from Potlatch for its Idaho timberlands. Mr. Rowe advised that the review of any proposal may require the participation of creditor groups and possibly the FRA, since it is the largest single creditor.
 - b - Mr. Rowe detailed the status of the Milwaukee's ability to sell portions of the railroad in light of recent legislative action. While several hurdles must be overcome, his best guess is that the ESOP proposal will probably fail sometime in early or mid-January. The Milwaukee would be in a position to sell or convey properties after the ESOP idea fails.
 - c - Mr. Steele advised that a review of an accounting basis for purchasing the railroad shows that a purchase price of only \$2-3 million is justified.
 - d - The physical parameters of the trackage sections being considered for purchase were defined and maps provided to show the exact terminuses of the railroad. It was requested that all right-of-way properties and buildings between these terminus points be included for purchase.
 - e - Mr. Wynne Blake will initiate a formal appraisal of the real estate involved. It is my understanding that an appraisal firm will be jointly selected and the cost shared.
 - f - Tentative agreement was made to acquire 175 log flats from the Milwaukee Road for \$7,000 per unit. The balance of 200 log flats would be acquired from the leasing firm of Thayer, Ringo and MacDonald, agent for the First Security Bank of Utah. The Milwaukee agreed to begin moving from the Morton line to the Idaho Pool, the balance of about 51 lease cars from the Thayer group and approximately 50 Milwaukee-owned cars. These cars will be exchanged with cars from

J. R. Morris
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other leasing sources in the Idaho pool. The present Idaho pool of 484 cars will not be diminished in size.

- g - With respect to property taxes owed by the Milwaukee Road to counties in North Idaho, Mr. Steele advised that it was our desire to have these taxes paid. Mr. Rowe said all known taxes would be paid at the time of conveyance by either the Milwaukee or Potlatch, and unknown tax claims that may surface at a later date would be the liability of the Milwaukee.
 - h - The liquidation value for scrap rail and ties offered by the Kyle Railway group was about a tenth of the Milwaukee Road's asking price (\$4,400,000 vs. \$475,000). Pete White will review, consult with their in-house track experts and contact Mr. Lynn Cecil at Kyle.
 - i - Miscellaneous equipment items will be identified and jointly inspected. Separate values will be assigned for each unit.
 - j - The next meeting with the Milwaukee Road is scheduled for 1:00 p.m., Wednesday, December 5, 1979 in the boardroom of our San Francisco offices. Mr. John Rowe indicated that due to scheduling conflicts he would not be available for the meeting.
- 2 - Mr. Fritz Kahn was contacted this morning and has agreed to draft a Non-Opposition Agreement for our review next week. We plan to use the agreement in approaching the existing shippers on the line to get their pledges that they will not oppose us at a later date, if we should choose to discontinue service and abandon the line.


JMB:nph

cc: F. A. Bayer
W. M. Blake
G. C. Cheek
F. M. Davis
C. R. Page
R. M. Steele
R. V. Warner

Potlatch

Meeting No. 3
December 5, 1979
San Francisco

Intra Company Memo

To: J. R. Morris

Date: December 10, 1979

From: J. M. Benson
Location: Corporate Traffic

Subject: Milwaukee Road Update - No. 23

Listed below is an update of Milwaukee Road activities as of this date.

- 1 - The negotiating committee met with Milwaukee Road officials for the third time on December 5, 1979, to discuss possible purchase of rail lines in and around St. Maries, Idaho. The Milwaukee was represented by Mr. Worth Smith, President; Mr. Pete White, V-P - Planning; and Mr. Virgil Fairchild, Director - Strategic Planning. Mr. Steele opened the meeting. The following points were discussed:
 - a - Mr. Smith outlined four steps involved with the Milwaukee Road Restructuring Act.

Step 1 - The employees must have a plan filed with the ICC by December 1, 1979. This has been accomplished.

Step 2 - The ICC has 30 days to review the plan. In the interim, supporters or protesters have until December 14, 1979 to comment on the plan. Rebuttal testimony is due by December 20, 1979.

Step 3 - Assuming the plan is accepted by the ICC, the Bankruptcy Court has 10 days, or until January 10, 1980, in which to hold hearings and render a decision. The Judge is trying to get the review period extended 20 days.

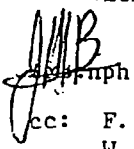
Step 4 - The employees must implement their plan by April 1, 1980.
- Mr. Smith also indicated the Milwaukee Road is attempting to get permission beforehand from the Bankruptcy Court to embargo its western lines, possibly on January 15, 1980.
- b - The Milwaukee Road advised it would be willing to review any offers for its timberlands. Mr. Jim McAdoo will contact Mr. Ed Stoll with the Milwaukee in Tacoma.
 - c - The Milwaukee Road submitted a list of four appraisal companies it would be willing to have perform a land appraisal. It was agreed that it would share the cost for using Western Appraisals and Surveys of Lewiston to perform the evaluation of right-of-way properties. Mr. Pete White advised that the creditors are becoming increasingly concerned to ensure that real estate value is based on highest and best use.

J. R. Morris
December 10, 1979
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- d - The Milwaukee submitted a new breakdown of costs for track scrap value which was slightly higher than its previous quote. Mr. Virgil Fairchild suggested another appraisal to arbitrate the matter. Mr. Steele felt it would be more appropriate for them to challenge the Kyle report. It was agreed that I would contact Mr. Nate Smith, Assistant Chief Engineer of Track, and attempt to ameliorate the differences.
- e - The Milwaukee Road Tax Department will review the existing tax liens on its rail properties in North Idaho and provide a breakdown at the next meeting.
- f - Mr. Wynne Blake requested a breakdown of items for schedule attachments to the agreement. The following detail will be provided:

Real estate property descriptions
Rolling stock - log flats and locomotives
Work equipment
Maintenance-of-way equipment, track tools and supplies
Unapplied inventory.

- g - The two groups will meet again when either party feels there is sufficient information to continue the negotiations.
- 2 - After several phone calls with Messrs. Nate Smith and Pete White, emphasizing the real possibility of snow covering the tracks, they agreed to send Mr. Harold Hurst, Assistant Division Manager - Maintenance, located at Tacoma, to help resolve the track scrap value issue. Friday evening, December 7, 1979, Mr. Hurst was able to drive to Spokane. Also that evening, Mr. Lynn Cecil, Executive VP with Kyle Railways, and Mr. Jim Okroy, A & K Railroad Materials, Clearfield, Utah, flew to Spokane. The Camas Prairie once again loaned us its high-rail vehicle. All day Saturday and Sunday were spent examining the track for rail and tie condition, computing yard and sidetrack rail footages, and evaluating OTM (Other Track Material). We also took an inventory of all materials, equipment, tools and supplies. The A & K representative assisted only as an expert on the subject of qualifying scrap grades and determining quantitative values. A & K will perform a formal track scrap appraisal for our private review later this week.
- 3 - We have compiled lists of all of the log flats in the Idaho pool by number. We should have a list of the log flats in the Washington Pool soon. We can then consolidate a schedule for log equipment.
- 4 - We will be examining the switch engines tomorrow or Wednesday with a specialist with Kyle Railways to determine which units we may be willing to purchase.

 JRM:ph
cc: F. A. Bayer G. C. Cheek G. R. Page R. V. Warner
W. M. Blake F. M. Davis R. M. Steele

Potlatch

Intra Company Memo

To: J. M. Benson

Date: November 12, 1979

From: G. W. Highsmith
Location: Corporate Traffic

Subject: Milwaukee Road Trackage Salvage Values

Per your request, the following report details track salvage values to be used for appraising the trackage segments found on the Milwaukee Road in and around St. Maries. A number of different railroad suppliers and steel salvage firms were contacted to obtain an unbiased market appraisal that can be used for the more detailed report being prepared by Kyle Railways, Inc.. The companies contacted were:

The L. V. Foster Company	Tacoma, Washington
M. Lummus Company	Oakland, California
A & K Railroad Supplies	Oakland, California
The Purdy Company	San Francisco, CA; Bellevue, WA
Union Pacific Railroad	Omaha, Nebraska
Snitzer Brothers Steel	Portland, Oregon

Scrap and Relay Rail Prices

Rail that is salvaged from an abandoned line is separated into two categories - relay rail and scrap rail. The quality of the rail determines the grade and in part the price level for that group. The following characteristics of the relay rail distinguish it from scrap rail.

- 1) Weight - Relay rail seldom weighs less than ninety pounds per yard. The Union Pacific Railroad will use only rail weighing more than one hundred pounds per yard for their relaying purposes.
- 2) Wear - Relay grade rail must be in good physical and structural condition. The rail's crown should not have a rolled edge or have lost its inner lip, otherwise, it can no longer hold the wheel in a turn or on a straightaway at high speeds.
- 3) Length - If the rail is shorter than the standard thirty-nine foot section, then it is downgraded to scrap.

Railroad accessories such as tie plates, spikes, angle irons and frogs are often sold along with the rail as scrap metal. These accessories often sell as high as \$95/ton because of their small size and ease of handling for many foundries. On major rail salvage sales, however, the price for the rail normally includes the rail accessory values.

J. M. Benson
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In talking with the aforementioned firms about the value of relay and scrap rail, each one indicated that the price was contingent on several market factors. First, the quality of rail is of consideration. Second, salvage steel is one commodity whose price is essentially determined by a demand and supply situation. In the past few years, the supply of scrap and relay rail has been high because of the numerous railroad abandonments, however, the demand for the two products has been varied. The lack of large physical expansion of rail lines that can use relay rail has kept the price in a depressed and volatile state. Prices for scrap steel, on the other hand, have been high and stable as a result of the versatile uses for smaller weight rail, such as support structures for underground mines.

In the table below are the prices quoted by each company. The prices are current market values and are anticipated to hold constant over the next few months. The cost of dismantling the rail is not included in any of the figures and transportation costs are included only in the Lummus Company's quote.

<u>COMPANY</u>	<u>SCRAP RAIL VALUE</u>	<u>RELAY RAIL VALUE</u>	<u>COMMENTS</u>
L. V. Foster Company Tacoma, Washington	\$60/ton	\$200-\$250/ton	Deal only with the highest quality of relay rail. Scrap rail value was an estimate.
M. Lummus San Francisco, CA	\$65/ton	\$110/ton	The price for relay was f.o.b. St. Maries, the only company with that quote.
The Purdy Company San Francisco, CA Bellevue, WA	\$70/ton \$80/ton	\$125-\$175/ton \$150-\$160/ton	The wide variation of prices depends on the quality of relay rail.
Snitzer Brothers Steel Portland, Oregon	\$85/long ton (65-85 pounds) \$80/long ton (115-130 pounds) \$95/long ton for rail accessories		Deal only in the scrap steel market, rebuilds rail cars, and on-site salvage appraisals.

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<u>COMPANY</u>	<u>SCRAP RAIL VALUE</u>	<u>RELAY RAIL VALUE</u>	<u>COMMENTS</u>
Union Pacific Railroad Omaha, Nebraska	\$70-\$100/ton	\$140-\$170/ton	The UP's figures are derived from liquidation negotiations with the Milwaukee Road and Rock Island.
A & K Oakland, California	\$65/ton	\$135-\$150/ton	
Milwaukee Railroad Chicago, Illinois	\$100/ton	\$200/ton	Values provided by Pete White, VP of Planning for the Milwaukee Road, August, 1979.

The future outlook for salvage steel prices is uncertain. The rail suppliers and salvage firms do not anticipate any major price shifts in the next year, however, they warned that forecasts of future prices are seldom reliable.

Track Removal and Transportation Costs

The Bovill branchline and Avery-Plummer Junction mainline are located far from the major salvage firms and in rough terrain which makes the cost for track removal high. Sections of track that are not readily accessible by truck require the use of rail-car mounted cranes and increases the cost from \$20 to \$40 per ton. The table below indicates the difference between costs.

<u>LOCATION</u>	<u>AVE.TONS PER MILE</u>	<u>ACCESSIBLE RAIL</u>		<u>INACCESSIBLE RAIL</u>		<u>DIFFERENCE PER MILE</u>
		<u>COST PER TON</u>	<u>TOTAL COST PER MILE</u>	<u>COST PER TON</u>	<u>TOTAL COST PER MILE</u>	
Avery- Plummer Jct.	212	\$20	\$ 4,240	\$40	\$ 8,480	\$ 4,240
Bovill Branchline	135	\$20	\$ 2,700	\$40	\$ 5,400	\$ 2,700

After a visual inspection of the rail, there appears to be a limited capability to dismantle the rail without the use of rail cranes, therefore, removal costs will be high.

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Since the salvage firms are primarily located in three areas, we have computed the cost of transporting the scrap rail from St. Maries to the following locations: Portland, OR; Tacoma, WA and San Francisco, CA. The figures below are the per ton costs for transportation f.o.b. destination.

<u>ORIGIN</u>	<u>DESTINATION</u>	<u>RATE PER CWT. (X-357 LEVEL)</u>	<u>RATE PER TON</u>
St. Maries, Idaho	San Francisco, CA	\$1.66	\$ 33.20
St. Maries, Idaho	Tacoma, WA	.96	19.20
St. Maries, Idaho	Portland, OR	.96	19.20

It should be noted that there are no specific rates published for the movement of reusable and scrap rail from St. Maries, Idaho to these locations. The rates used represent rates published for general scrap metal and steel.

Profile of the Branch and Mainline Trackage

The purpose of this section is to describe the features of the rail found on the Bovill branch and Avery-Plummer mainline. Inspection of the Milwaukee Road's rail profile work sheets show that the average tons per mile for the mainline and branch are 212 and 135 tons respectively. The chart below breaks down the rail weight in pounds per yard and indicates the percentage of each rail weight found on the lines.

PERCENTAGE OF RAIL WEIGHT BY RAIL LINE

	<u>131 LBS/YD</u>	<u>115 LBS/YD</u>	<u>112 LBS/YD</u>	<u>AVE.TONS PER MILE</u>	
Avery-Plummer Jct. Milepost 1774-1837 66 miles	44.5%	8.0%	42.5%	212 tons/mile	
	<u>100 LBS/YD</u>	<u>85 LBS/YD</u>	<u>75 LBS/YD</u>	<u>65 LBS/YD</u>	<u>AVE.TONS PER MILE</u>
Bovill-St. Maries Milepost 52-0 52 miles	3.7%	54%	25%	17.3%	135 tons/mile

Calculation of Removal Costs

The valuation of the track is a major part of the St. Maries River Railroad investment and, because of the variety of prices and costs, the value is subject to different appraisals. The table following shows all the costs involved if the track is dismantled and transported to salvage firms in San Francisco or Portland.

J. M. Benson
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COST OF DISMANTLING

<u>RAIL LOCATION</u>	<u>RAIL INACCESSIBLE BY ROAD</u>	<u>TONS PER MILE OF RAIL</u>	<u>TOTAL TONS</u>	<u>DISMANTLING COST PER TON</u>	<u>TOTAL DISMANTLING COST</u>
St. Maries- Bovill	52 miles	135	7,020	\$40	\$ 280,800
Avery- Plummer Jct.	66 miles	212	13,992	\$40	\$ 559,680 \$ 840,480

COST OF TRANSPORTATION

<u>ORIGIN</u>	<u>DESTINATION</u>	<u>RATE PER TON</u>	<u>TOTAL TONS REMOVED</u>	<u>TOTAL TRANSPORTATION COSTS</u>
St. Maries	San Francisco	\$ 33.20	21,012	\$697,600
St. Maries	Portland/Tacoma	19.20	21,012	403,430

As one can see, the total cost for removal and transportation is approximately \$1.5 million. Any revenue received from the salvage of the rail will have these costs taken out.

Reported as information.

GWH

GWH:rp

Potlatch

Intra Company Memo

To: J. C. McAdoo
C. J. Deward

Date: November 14, 1979

From: J. M. Benson
Location: Corporate Traffic

Subject: Milwaukee Road Properties

The Company is presently engaged in discussions with the Milwaukee Road concerning possible acquisition of trackage segments in and around St. Maries and operating as a shortline railroad. Would you please investigate lands and buildings presently owned by the railroad in and around Bovill, Clarkia and Avery, and identify those properties that would be valuable to your operations. This request does not mean to include a review of timberland ownership by the Milwaukee Land Company, only railroad properties.

The purpose of this request is to identify the physical parameters of the rail properties we may wish to purchase. Any maps identifying the rail lands in relation to our properties would be useful. Of particular concern, are the lands around Bovill and Avery, which are proposed as the terminus of the rail operations.

Your reply by Monday, November 19, 1979 would be most helpful. Our next meeting with the railroad is on Tuesday, November 20, 1979. Please carbon copy any correspondence to Mr. Wynne Blake.


JMB:nph

cc: W. M. Blake
J. R. Morris
E. F. Wirsig
J. G. Dahlgren
W. E. Mulligan

Potlatch

Intra Company Memo

To: Carl Deward

Date: November 16, 1979

From: Bill Mulligan
Location: St. Maries-NUL
Subject: Milwaukee Road Properties

We didn't have much time to answer the request of Jim Benson's memo dated November 14, but the following may be some help:

1. Bovill - Attached is a map of the Bovill area railroad property adjacent to our landings. It is our understanding that the landing spur, and the landing itself, are the property of Potlatch Corporation. The Milwaukee Railroad owns the line from Clarkia to Purdue. The main line from Purdue thru the landing area is owned by the W.I. and M. Track to the west of the main line, including the Bovill Wye, are the property of the W.I. and M. Property to the east of the main line belongs to the Milwaukee. This includes three switch tracks. This information was provided by the W.I. and M. agent at Bovill and is not confirmed.

There are no buildings or sheds that would be of use in the area. It may be necessary to construct a shed at Bovill for a Section Crew. It would also be necessary to use the W.I. and M. beyond the wye for switching. We are not familiar enough with rail operations to know if it would be necessary to use the wye. It may be necessary to turn a snow plow around here. We would suggest purchase of the Milwaukee rail to the east of the main line, and any land that would come with it.

2. Clarkia - It is our understanding that the rail spur on the Potlatch Landing side (east), and the landing itself, are the property of Potlatch Corporation. This spur ties into the main line at both ends. The rail spur on the Diamond Landing side (west), and the landing itself, are the property of Potlatch Corporation and on lease to Diamond International. This spur also ties into the main line at both ends.

The main line and property thru the landing are the property of the Milwaukee Railroad. There is no other facility at Clarkia that we are aware of belonging to the railroad. It may be that the portion of both spurs extending beyond the Potlatch line belongs to the Milwaukee Railroad. If so, purchase would be essential to our operations.

3. Mashburn Siding - The Mashburn Siding is located between St. Maries and Clarkia. Because of location, it is important to the operation of the railroad. Cars, both empty and full, are stored here to help with switching and power problems.

Other sidings may be important, but we are not familiar enough with the operation to identify use and location.

4. Avery - Potlatch Corporation only owns the bridge, and a small piece of property at each abutment. A map is attached showing the Milwaukee ownership. Norm attached a note identifying the size and description of the ownership. Although lots 1, 2, 3, and 4 are not essential to operation on the landing, this portion of Section 15 may be an inexpensive land purchase. There are only minor volumes of timber on extremely steep-side slopes. The value would be very low.

Another large scale map is attached that shows the facilities. We suggest purchase of the main line, switching sides, and the loading spur. The loading spur on the landing is in very poor condition. We would remove the spur to give more room. One siding could also be removed that is in good condition. This could provide maintenance track, ties, and hardware.

There is a turntable that was used in the past to reverse the snowplow operating from Avery to the east. The plow was not normally needed from Avery to St. Maries. It may not be necessary to continue use of the turntable. The other buildings around the old Roundhouse have been removed. We are currently drilling a well for domestic water, so the old water system in Lot #4 is not needed. It should not be necessary to purchase track east of Avery, but we highly recommend purchase of the main switch yard in the middle of the Avery townsite. This property would be valuable for resale after the track has been salvaged.

5. St. Maries - We are not familiar with the track and maintenance facilities in the St. Maries area. The depot and maintenance sheds are located here, but we are not sure what would be necessary to the operation.

There may be other facilities to consider. We are not sure how the siding and facilities of Scott Paper at Fernwood would be handled, but that should be considered. We hope this may help

Milwaukee Railroad Properties
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November 16, 1979

fill in the information already gathered. Please have Jim
return the maps as they are our only copies.

BM/sh

Intra Company Memo

To: J. M. Benson

Date: November 19, 1979

From: G. W. Highsmith

Location: Corporate Traffic

Subject: Milwaukee Road Equipment

The following report recaps the findings of the November 16, 1979 inspection of log flats and locomotives with Mr. Stacey Painter of Kyle Railways. The purpose of the inspection was to determine the physical condition of the equipment and see if there were any structural differences between the groups of log flats that are owned by different equity sources. His description is outlined below:

Log Flat Cars

Basically, all the log flats from the different car series are the same, although some look huskier than others. The major difference between the Milwaukee owned cars and others are: 1) The stakes on the Milwaukee cars do not have bulky supports and are less stout and, 2) The outside frames are smaller. Mr. Painter felt that neither of these aspects affected the durability of the cars as long as the cars received regular maintenance, and that maintenance procedures for both car series were identical, thus allowing uniformity in car service repair. Another feature that characterized the uniformity of the equipment was that all the flats were rebuilt from 41 foot flat car frames.

Close inspection of individual cars revealed that most of the log flats have friction bearings which are easy to change at normal maintenance check-ups. Two items that Mr. Painter would immediately bad order a car for was the lack of adequate brake shoes and faulty, patchwork welding on the log stakes. The brake shoes of many of the flats were worn down or non-existent, causing a potential safety problem, but can be replaced in five minutes. Evidence of log loading equipment damage on the stakes of the log flats was common, and the efforts at welding patches over the cracks and dents were shabby. Mr. Painter suggested that a one-piece metal sleeve be welded on the base of the stake to give the loaders something sturdy to push against. Finally, the debris located on the center sill of the log flats should be cleaned out periodically to prohibit damage to the braking system and reduce a fire hazard.

Locomotives

Milwaukee Road engines 302 and 335 are CP-9's that were inspected by Mr. Painter. Both engines are usable now, but require a great deal of maintenance, and, for continuous, reliable use, they should be reconditioned. The engine models we observed had poor visibility from the engineer's vantage point,

J. M. Benson
November 19, 1979
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however, that can be corrected by removing about four to six feet of the front cowling of the engine. Presently, that space is a storage area. The housing area for the diesel engine was covered with an abnormally high amount of oil indicating a leak somewhere in the engine. The generator should normally be free of grease and dirt, however, both generators were covered with dirt. The wheels were in fairly good shape with about eight to ten years of wear left.

Summary

It was Mr. Painter's opinion that the log flats we had inspected were in very good condition and would last indefinitely with regular maintenance. Also, he felt there was no difference in the various flat car series other than appearance. The locomotives are in marginal operating condition presently, therefore an immediate reconditioning program would need to be implemented to insure continuous operation.

Submitted as information..

GWH

GWH:rp

Potlatch

Intra Company Memo

Potlatch Corporation

Date: February 27, 1980

To: W. M. Blake R. M. Steele
J. R. Morris R. V. Warner

From: J. M. Benson

Subject: Renewed Negotiations - St. Maries River Railroad Project

The major areas yet to be resolved in our negotiations with the Milwaukee Road are:

- Salvage Value
- Locomotives
- Land Value

- a. Salvage Value - The salvage value issue has developed as a major obstacle in the negotiations. Listed below is a breakdown of the values quoted by the Milwaukee to this point:

<u>Date</u>	<u>Amount</u>	<u>Comment</u>
11/1/79	\$6,268,893	Initial quote
11/21/79	4,400,000	Reduced to eliminate dismantling cost
12/5/79	4,700,000	Increased by V. Fairchild
2/20/80	3,900,000	Decreased by P. White to reflect 30% scrap and 25% secondhand ties

An audit was performed on December 8 and 9, 1979 jointly by Milwaukee Road, Potlatch, Kyle Railway and A & K Railway Material personnel. The audit determined that 80% of the rail (by weight) was scrap. Kyle Railway submitted an updated appraisal of the salvage value based on the audit. A & K Railway Materials also submitted an appraisal based on the two-day rail tour and the audit. Listed below is a breakdown of the two reports and the AFCE values.

	<u>Kyle</u>	<u>A & K</u>	<u>AFCE</u>
Bovill Branchline	(\$268,504)	(\$ 91,158)	\$ -0-
Plummer to St. Maries	272,059	357,301	1,258,000
Avery Extension	665,033	730,510	1,433,000
	\$668,588	\$996,653	\$2,691,000

The purpose of the audit was to quantify the amount of salvageable rail, ties and OTM, as well as the amount of scrap steel. The negotiations could then be narrowed to settling on a price for the different items. Since the price for scrap steel developed as the largest individual cost item, a report was prepared jointly by the Corporate Traffic and Purchasing Departments. (Titled - Scrap Steel Market Analysis.) Listed below is a

W. M. Blake, J. R. Morris
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recap of the various prices used by the different parties to date.

Price Recap

<u>Items</u>	<u>Milwaukee Road</u>	<u>Kyle</u>	<u>Potlatch</u>
Scrap	\$100/ton	\$60/ton	\$82/ton
Relay rail	\$200/ton	\$185/ton	\$185/ton
Ties	\$4/tie	\$5.85/tie	\$5.85/tie
OTM	\$87.50/ton	\$80/ton	\$91/ton

Substantial reductions have been made in the Kyle Report for dismantling (\$15,000/mile) and transportation (tariff rate to Portland). The A & K Report uses a lesser dismantling cost (\$10,000/mile) and no direct reduction for transportation. Instead, A & K makes sizeable deductions for overhead and profit, totaling almost \$2.5 million.

See section on Salvage Value for additional background information and reports.

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	<u>Milwaukee Road</u>	<u>Morrison-Knudsen</u>
GP-9 (#292)	\$ 350,000	\$ 75,000
GP-9 (#301)	350,000	75,000
GP-9 (#322)	350,000	55,000
SW 1200 (#618)	150,000	65,000
SW 1200 (#612)	150,000	65,000
Total	<u>\$1,350,000</u>	<u>\$335,000</u>

See section on Locomotives for additional background information.

- c. Land Value - The Land Appraisal was performed by Western Appraisals with the expenses being shared between Potlatch and Milwaukee. Listed below is a recap of the appraised values and AFCE values.

	<u>Appraisal</u>	<u>AFCE</u>
Branchline	\$137,207	\$151,281
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	<u>\$606,435</u>	<u>\$964,400</u>

W. M. Blake, J. R. Morris,
R. M. Steele, R. V. Warner
February 27, 1980
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Mr. Pete White advised on February 20, 1980 that they had some serious conflicts with the appraisal because higher values were recently agreed to between Potlatch and the Milwaukee Land Company on right-of-way property on the abandoned Elk River Line. In discussing the matter with Mr. Jim McAdoo, the following items were identified as justifications for a price difference. (Outlined in descending order of importance.)

Land Access - Provides a right-of-way and road access to company lands without crossing State or Forest Service land.

Public Nuisance - Eliminates the public nuisance and liability resulting from a proposed public trail for snowmobiles and trail bikes. Adjacent landowners shared concern over potential trespass and liability problems. Instead, a trail makes sizeable deductions in potential liability.

Rock Quarries - Potential sites for two rock quarries to provide rock for road building purposes.

Mineral Rights - Neva Mineral district is a mineralized mining area and could offer future development opportunities.

Timber - Minor consideration.

Attached is information relative to the Milwaukee Road negotiations.


JMB:nph

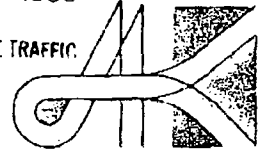
Attachments

JAN 07 1980

A & K RAILROAD MATERIALS, INC. CORPORATE TRAFFIC

POST OFFICE BOX 1276, FREEPORT CENTER • CLEARFIELD, UTAH 84016

PHONE (801) 773-3236 TELEX 389-406 A&K CLFD



January 4, 1980

Mr. James M. Benson, Director
Corporate Traffic
Potlach Corporation
P. O. Box 1016
Lewiston, Idaho 83501

REFERENCE: A & K bids on Milwaukee lines in north Idaho

Dear Jim:

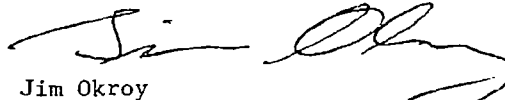
Enclosed are salvage bids for the Milwaukee lines in north Idaho that we inspected on December 8 and 9, 1979. The bids are broken out into three sections (i.e., Plummer to St. Maries Section, the Avery Extension Section, and the Bovill Branchline Section), and are based on the trackage, tie and other track material quantities outlined in the letter sent to Mr. Harold E. Hurst on December 14, 1979.

As I mentioned to you, we have taken up about 200 miles of Milwaukee Road lines this past year in Minnesota and Montana. We also took up the Bovill to Elk River line last year. The attached bids are consistent with the other Milwaukee Road bids, with the exception that in most cases the Milwaukee retained a certain amount of reusable ties and rail in lieu of receiving money for the lines.

The attached bids also reflect the latest market prices and condition. The various prices used in this bid are our current selling prices to the prospective customers and include overhead and profit. You will note, we have made subtractions at the bottom of the bid for overhead and profit. As I think I mentioned to you, A & K Railroad Materials, Inc., is the largest supplier of relaying rail and track material in the United States. We also market internationally.

Very truly yours,

A & K RAILROAD MATERIALS, INC.


Jim Okroy
Assistant Operations Manager

JO/pmr

Enclosures (3)

INVENTORIES NATIONWIDE

A & K BID FOR MILWAUKEE LINE
PLUMMER TO ST. MARIES

A. Rail

#1 - 1,321 net tons @ \$300.00/net ton	\$ 396,300.00
#2 - 926 net tons @ \$275.00/net ton	\$ 254,650.00
Scrap (Main) - 2,432 net tons @ \$60.00/net ton	\$ 145,920.00
Scrap (Sidings) - 1,997 net tons @ \$60.00/net ton	\$ 119,820.00

B. Other Track Material

Relay (Main & Sidings) - 1,281 net tons @ \$300.00/net ton	\$ 384,300.00
Scrap (Main & Sidings) - 735 net tons @ \$80.00/net ton	\$ 58,800.00

C. Ties

Relay (Main) - 6,970 each @ \$9.50 each	\$ 66,215.00
Relay (Side) - 905 each @ \$9.50 each	\$ <u>8,597.00</u>

Total Resale Value	\$1,434,602.00
Take-up costs - 36 miles @ \$10,000/mile	- 360,000.00
Overhead and profit less 50%	- <u>717,301.00</u>

A & K Bid	\$ <u><u>357,301.00</u></u>
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A & K BID FOR MILWAUKEE LINE
AVERY EXTENSION

A. Rail

#1 - 2,936 net tons @ \$300.00/net ton	\$ 880,800.00
#2 - 141 net tons @ \$275.00/net ton	\$ 38,775.00
Scrap (Main) - 5,225 net tons @ \$60.00/net ton	\$ 313,500.00
Scrap (Sidings) - 1,797 net tons @ \$60.00/net ton	\$ 107,820.00

B. Other Track Material

Relay (Main & Siding) - 2,632 net tons @ \$300.00/net ton	\$ 789,600.00
Scrap (Main & Siding) - 978 net tons @ \$80.00/net ton	\$ 78,240.00

C. Ties

Relay (Main) - 32,318 @ \$9.50 each	\$ 307,021.00
Relay (Sidings) - 3,712 @ \$9.50 each	\$ 35,264.00

Total Resale Value	\$2,551,020.00
Take-up costs - 54.5 miles @ \$10,000/mile	- 545,000.00
Overhead and profit less 50%	- <u>1,275,510.00</u>

A & K Bid	\$ 730,510.00
-----------	---------------

A & K BID FOR MILWAUKEE LINE
BOVILL BRANCHLINE

A. Rail	
#2 - 152 net tons @ \$275.00/net ton	\$ 41,800.00
Scrap (Main) - 6,569 net tons @ \$60.00/net ton	\$ 394,140.00
Scrap (Sidings) - 821 net tons @ \$60.00/net ton	\$ 49,260.00
B. Other Track Material	
Scrap (Main & Sidings) - 2,087 net tons @ \$80.00/net ton	\$ 166,960.00
C. Ties	
Relay (Main) - 33,213 @ \$9.50 each	\$ 315,523.00
Relay (Sidings) - 0	---
	<hr/>
Total Resale Value	\$ 967,683.00
Take-up costs - 57.5 miles @ \$10,000/mile	- 575,000.00
Overhead and profit less 50%	- 483,841.00
	<hr/>
A & K Bid (negative)	- \$ 91,158.00
	<hr/>



**SAN FRANCISCO
RAILROAD CONSULTANTS, INC.**

November 16, 1979

ROOM 211 WORLD TRADE CENTER
SAN FRANCISCO, CALIFORNIA 94111

WILLIS B. KYLE
CHAIRMAN

FLAKE WILLIS
PRESIDENT

LYNN T. CECIL
EXECUTIVE VICE PRESIDENT

TELEPHONE
(415) 982-7189

Mr. James Benson, Director Corporate Traffic
Pollack Corporation
P. O. Box 1016
Lewiston, Idaho 83501

Dear Jim:

As per your request we have developed what we feel to be a realistic salvage value on all the rail lines between Plummer, Idaho and Avery, Idaho, and on the branchline from St. Maries to Bovill, Idaho.

Salvage values projected on the attached were developed by San Francisco Railroad Consultants, Inc. with the assistance and cooperation of Charles E. Neal, (b) (6) Vice President and General Manager of Northwestern Pacific (Southern Pacific Transportation Co.) after having made detailed inspections of the entire line. We will generally outline the criteria used in projecting values of track material and overall track conditions effecting such net values.

As to the main line between Plummer and Avery, in our judgment 90% of rail in tangent track could be classified as relay material while only 25% of rail in curves would qualify as relay. Much of the rail on curves has been transposed over the years in normal maintenance programs and would not permit its being sold as relay material. We also noted there was an unusual amount of corrugated rail on this line. From our discussions with used rail dealers and brokers we find rail heavier than 115 pounds is not nearly as much in demand as is rail in sizes 90 to 115 pounds.

Approximately 24 miles of this track area is either 131 or 132 pound rail. Also, it was found there is considerable damage to rail because of derailments. In our opinion rail in side tracks along this portion of the line will develop 60% relay rail and 40% scrap material and has been extended in this manner in report.

Only 10% of the ties in this portion of the railroad are listed as resalable for use in tracks as most have been severely marked or

James Benson
Potlatch Corporation
November 16, 1979

Page Two

broken as a result of derailments in the last few years. There have been some extensive tie replacement programs in recent years, however, in most cases ties have since been damaged in derailments.

Over nearly the entire route from Plummer to Avery the tracks are extremely isolated from any roads or highways. Highway vehicles normally used in rail take up programs could not be used in many areas. This will inflate the normal removal costs of tracks.

In determining values on the branch line from St. Maries to Avery we have calculated that 25% of all rail 85 pounds and heavier would be salable as relay rail with the remaining 75% being scrap. All rail in side tracks on the branch has been calculated to be scrap as in all cases noted it was relay rail when placed in siding.

We anticipate recovering 20% of the ties on the branch that may be sold as relay material. There has not been as many new ties installed on this track as in the main line, however, even though there have been many derailments, it is expected a greater percentage of ties are reusable.

All switch material on both lines have been included in the same category as rail for the reason that considerable additional removal, transportation and handling will be required in recovery of switches. Also, most frogs and points would need reconditioning prior to use again.

The cost of salvage would be extremely high in this case due to the following additional factors:

1. Most of material salvaged and resalable must be moved to a major salvage yard for disposition. In this case we have used Portland, Oregon.
2. All bridges and trestles would need to be removed and some disposition made of material in the structures. We would anticipate any sale of salvage material would not cover cost of dismantling.
3. All tracks must be removed from road crossings and roads or highways restored to a condition acceptable to the State of Idaho, all at a cost to dismantler.

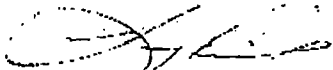
James Benson
Potlatch Corporation
November 16, 1979

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4. All debris including broken, damaged and/or unsalable ties and timbers must be removed from the right of way and disposed of in accordance with U. S. Forest Service and State of Idaho regulation.
5. All areas where drainage might be impaired by the railroad grade would need to be corrected.

We have considerable additional detail as a result of the several inspections of the properties and will be glad to furnish to you as requested.

Yours very truly,



L. T. Cecil
Executive Vice President
San Francisco Railroad Consultants, Inc.

LTC
jg
enclosures

ESTIMATED SALVAGE VALUES

ST. MARIES TO BOVILL

RAIL

Main Line

2 miles @ 100 lbs.	352 ton
1 mile @ 90 lbs.	158 "
8 miles @ 85 lbs.	1197 "
30 miles @ 75 lbs.	3960 "
10 miles @ 65 lbs.	1144 "
	<u>6811 ton</u>

Side Track

6.18 miles
mixed 65 lb., 75 lb.,
85 lb. and 90 lb.
average 75 lb. 816 tons

Other track material 10% of track weight

763 tons
8390

Assume:

Salvage 25% of all
rail 85 lb. & over

RELAY

427

SCRAP

1290

TOTAL

1707

Scrap Remainder:

30 miles 75#

3960

3960

10 miles 65#

1144

1144

6.18 miles sidings

816

816

Other track material

763

763

427

7963

8390

Ties 3200x57 miles 20# 36,480

145,920

182,400

ESTIMATED SALVAGE VALUES

ST. MARIES TO BOVILL

51 miles main - 6 miles Second Track

\$165 per ton for relay rail - at Portland

\$ 75 per ton for scrap rail and OTM - at Portland

\$ 9 per tie

Transportation Costs - Plummer to Portland

\$0.62 per hundred weight for ties - ties weight 150 pounds each
(.93 per tie)

\$19.20 per ton for rail and OTM

SALVAGE

Relay Rail: 427 tons @ \$165 per ton

\$70,455

Scrap material 7,963 tons @ \$75 per ton

597,225

Ties Relay 36,480 @ \$9.00

328,320

\$896,000

Dismantling Costs @ \$15,000 per mile

(855,000)

TRANSPORTATION COSTS:

Relay Rail and Scrap material to Portland

8390 tons @ \$19.20

(\$161,088)

Ties to Portland

36,480 @ .93¢

(33,926)

Net Salvage

(\$ 54,014)

ESTIMATED SALVAGE VALUES

Plummer to Avery (66 miles main - 13 miles second)

Rail	28 miles @ 112 lbs.	5,519 ton
	14 miles @ 115 lbs.	2,834 "
	10 miles @ 131 lbs.	2,306 "
	14 miles @ 132 lbs.	3,252 "
	66 miles	13,911 tons

Side Track	7 miles avg. wt. rail 90#	1,109 tons
Yards		

Plummer, Avery & St. Maries-6 miles avg wt. rail	75 lb.	792 tons
		15,812 tons
Other track material 10% tracks weight		1,581 tons
		17,393 tons

Assume:	RELAY	SCRAP	TOTAL
Rail relayed in tangent from curves MP 1810-1808			
2 miles @ 112		394 tons	394 tons
Tangent track			
24 miles less 2 miles above (22 miles: assume 10 miles 115 lb.; 12 miles 112 lbs.) (2024T-2365T)x 90% relay			
10% scrap	3950 tons	439 tons	4389 tons
Curves			
42 miles 10% Relay 90% scrap			
14 miles @ 132 lbs.	325 tons	2927 tons	3252 tons
10 miles @ 131 lbs.	231 tons	2075 tons	2306 tons
4 miles @ 115 lbs.	81 tons	729 tons	810 tons
14 miles @ 112 lbs.	276 tons	2484 tons	2760 tons
Side Tracks avg. 90 lbs.			
7 miles 60% Relay 40% scrap	665 tons	444 tons	1109 tons
Yards			
6 miles		792 tons	792 tons
Other Track Material	486 tons	1095 tons	1581 tons
	6,014 tons	11,379 tons	17,393 tons
Ties (79x3200) 10% Relay	25,280	227,520	252,800

ESTIMATED SALVAGE VALUES

PLUMMER TO AVERY

66 miles main - 13 miles second track

Using \$165 per ton for relay rail
\$ 75 per ton for scrap rail and OTM
\$ 9 per tie salvage

Transportation Costs - Plummer to Portland
\$.62 per hundred weight ties (\$.93 per tie) ties weigh 150# each
\$19.20 rail and OTM per ton

SALVAGE:

Relay Rail	6014 tons @ \$165.	\$992,310
Scrap material	11,379 tons @ \$ 75.	853,425
Ties Relay	25,280 @ \$ 9.	227,520
		<u>\$2,073,255</u>

Dismantling Costs @ \$15,000 per mile (\$1,185,000)

TRANSPORTATION COSTS:

Relay Rail & Scrap material to Portland	
17,393 tons @ \$19.20	(333,946)

Ties to Portland 25,280 @ .93¢	(23,510)
--------------------------------	------------

\$ 530,799

Potlatch

Intra Company Memo

Potlatch Corporation

Date: February 27, 1980

To: W. M. Blake R. M. Steele
J. R. Morris R. V. Warner

From: J. M. Benson

Subject: Renewed Negotiations - St. Maries River Railroad Project

The major areas yet to be resolved in our negotiations with the Milwaukee Road are:

- Salvage Value
- Locomotives
- Land Value

- a. Salvage Value - The salvage value issue has developed as a major obstacle in the negotiations. Listed below is a breakdown of the values quoted by the Milwaukee to this point:

<u>Date</u>	<u>Amount</u>	<u>Comment</u>
11/1/79	\$6,268,893	Initial quote
11/21/79	4,400,000	Reduced to eliminate dismantling cost
12/5/79	4,700,000	Increased by V. Fairchild
2/20/80	3,900,000	Decreased by P. White to reflect 30% scrap and 25% secondhand ties

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W. M. Blake, J. R. Morris
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 February 27, 1980
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recap of the various prices used by the different parties to date.

Price Recap

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Total	\$1,350,000	\$335,000

See section on Locomotives for additional background information.

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Mineral Rights - Neva Mineral district is a mineralized mining area and could offer future development opportunities. The necessary locomotives to move the freight. Locomotives are currently in "Timber" - Minor considerations for

Attached is information relative to the Milwaukee Road negotiations.


JMB:nph

Attachments

Potlatch

Intra Company Memo

Potlatch Corporation

Date: March 10, 1980

To: J. R. Morris

From: J. M. Benson

Subject: St. Maries River Railroad Project

Negotiations were conducted on March 3 and 4, 1980 with Milwaukee Road officials in Chicago. An agreement was reached in principle to acquire the land, trackage, five locomotives, miscellaneous equipment and inventories from the Milwaukee for \$4,521,000. Planned capital expenditures for equipment and improvements from other suppliers amount to \$3,775,000. The total project cost equals \$8,296,000, or \$441,000 under the AFCE. Listed below is a cost breakdown of items to be purchased from the Milwaukee Road, items to be purchased from other suppliers and a comparison with the AFCE.

St. Maries River Railroad Project

	<u>Milwaukee Road</u>	<u>Other Suppliers</u>	<u>Total</u>	<u>AFCE</u>
Land	\$ 607,000	\$ -	\$ 607,000	\$ 964,000
Trackage	1,935,000	-	1,935,000	2,691,000
Locomotives	535,000	1,500,000	2,035,000	1,350,000
Unapplied Inventory	100,000	-	100,000	-
Flatcars	1,295,000	1,416,000	2,711,000	3,000,000
Track Tools	6,000	-	6,000	-
Work Equipment	43,000	-	43,000	69,000
Miscellaneous Equipment	-	359,000	359,000	263,000
Car Shop	-	500,000	500,000	400,000
	<u>\$4,521,000</u>	<u>\$3,775,000</u>	<u>\$8,296,000</u>	<u>\$8,737,000</u>

Outlined below is a recap of the items included in the above categories:

Land - We will be acquiring over 2,200 acres, which includes all of the railroad right-of-way between Avery, Bovill and Plummer. These properties include all of the flat land in the town of Avery, all railroad properties in and round St. Maries proper, including the depot building and other structures, the upper and lower Plummer Yards and the portion of WIM running from Purdue to Bovill (about two miles) which includes all of the Bovill Yard area.

Mr. J. R. Morris
March 10, 1980
Page Two

Trackage - One hundred fifteen miles of mainline and branchline railroad, plus thirty-seven miles of sidings and yard tracks.

Locomotives - We purchased three GP-9, 1,750 hp road switcher locomotives (#292, 301, 322) and two SW-1200, 1,200 hp switch engines (#618 and 612). Also budgeted is \$1,500,000 for locomotive rework at the Morrison-Knudsen shop in Boise.

Unapplied Inventory - We acquired a wide ranging amount of unapplied track inventory for \$100,000. This material is spread over the entire railroad and includes such items as ties, switches, bridge material, OTM, etc. We will take another inventory reading when the purchase option is exercised and adjust for depletions.

Flat Cars - We will be purchasing 185 log flats from the Milwaukee Road for \$1,295,000. When the purchase option is exercised, we plan to sell the cars to a third party and lease the cars back with a fixed purchase buy-back option at the end of the lease period. We are also leasing another 190 log flats currently owned by the First Security Bank of Utah and leased through the San Francisco leasing firm of Thayer, Ringoen and MacDonald. The lease will also have a fixed price buy-back provision, which is deemed essential.

Track Tools - Miscellaneous hand tools ranging from spike mauls and shovels to level boards and lining bars to equip three, six-man section gangs.

Work Equipment - This item includes a snow plow, Jordan spreader, flanger, two cabooses, three ballast hoppers, two ordinary 50' flatcars and four motor cars.

Miscellaneous Equipment - This is a catchall category that includes numerous expenditures to suppliers other than Milwaukee Road. See breakdown below:

Miscellaneous Equipment

Ballast tamper and rail liner	\$ 25,000
Backhoe tie inserter	55,000
Light highrail utility vehicle (2)	24,000
Track tools	10,000
Track car and trailer (2)	15,000
Rail saw and drill	3,000
Air dumps (2)	18,000
Bottom dump ballast hoppers (3)	12,000
Burrow crane	15,000
Mechanical department equipment	30,000
Depot restoration	50,000
Office equipment	5,000
Miscellaneous equipment and parts	11,000
Radio equipment	30,000
Wrecker crane	50,000
Caboose repair	6,000
	<hr/>
	\$359,000

Mr. J. R. Morris
March 10, 1980
Page Three

Car Shop - A \$500,000 car shop has been budgeted for the St. Maries Yard to house and repair the locomotives and to repair the various pieces of rolling stock.

The transaction will be handled as a lease, with the option to purchase. The lease is being drafted and should be completed within the week. When the lease is approved, we will purchase the locomotives for \$535,000 and pay ten percent on the unpaid balance owed to Milwaukee Road (\$33,217 per month) until the purchase option is exercised or the lease terminated.

The latest information indicates that the Bankruptcy Court should formally abandon all of the Milwaukee Road's western lines effective sometime around March 15, 1980. At that time (assuming the Lease Agreement has been signed), we will seek an ICC Emergency Service Order to operate the branchline and trackage section between St. Maries and Plummer as a common carrier railroad. The Avery line will be operated as a 44-mile Industrial Spur Track. This action should take only 24 to 48 hours after the request has been filed in Washington, D. C. At the same time, we will begin filing our permanent authority application before the ICC, which is targeted for approval in 120 days. (This time frame will presumably be mandated by the Bankruptcy Court at our request.) When the permanent certificate is awarded, we will then exercise our purchase option and the transfer of property will take place.

On Wednesday, March 12, 1980, a physical inspection of the property will be made to identify and secure the equipment and materials that we are purchasing. Involved in the inspection will be Mr. L. D. Anderson, Milwaukee Road Vice-President, Non-Operating Properties; Mr. Lynn Cecil, Executive V-P, Kyle Railways; and Mr. J. M. Benson, Potlatch. We plan to place new locks on the various equipment storage sheds and to mark the numerous hand tools and small equipment that we are acquiring, with green paint. This will also act as a formal transfer and accounting of a large part of the equipment and material (exclusive of unapplied inventory). Mr. Leroy Altmiller, Potlatch Security Chief, has been contacted and advised of the situation. Local law enforcement agencies in the three counties involved have been contacted by him. He advises that the windows on the St. Maries depot and other structures should be boarded up once the Milwaukee Road employees leave. If this action is deemed appropriate, it will be coordinated between Mr. Altmiller, local authorities, the St. Maries mill and this office.

Reported as information. As developments occur, we will advise further.

JMB
JMB:nph

cc: W. M. Blake
C. J. Deward
G. R. Page

R. M. Steele
W. E. Tufts
R. V. Warner

JAN 4 1980

J.R.M.



WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

1704 Main Street • Lewiston, Idaho 83501 • (208) 746-9891

APPRAISAL REPORT
MILWAUKEE ROAD RIGHT OF WAY
MAIN LINE
PLUMMER TO AVERY
AND ST. MARIES BRANCH LINE
TO BOVILL
ALL IN THE STATE OF IDAHO

OWNED BY
CHICAGO, MILWAUKEE, ST. PAUL
AND PACIFIC RAILROAD

APPRAISED FOR
POTLATCH CORPORATION
LEWISTON, IDAHO

ON
DECEMBER 11, 1979

BY
WESTERN APPRAISALS AND SURVEYS

TERRY R. RUDD, M.A.I.
PROFESSIONAL REAL ESTATE APPRAISER

GARY E. MEISNER, M.A.I.
PROFESSIONAL REAL ESTATE APPRAISER

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

Mr. Wynne Blake, Attorney

December 17, 1979

The subject property has been investigated by several members of our firm during December of 1979. The subject property and all comparable sales relied upon in this report have been investigated and analyzed according to professional standards.

The best estimate of the subject property, not including railroad trackage, bridges or communication wires, as of the date of this appraisal, is: ----- 2,206.55 Acres ----- \$606,500.

They are broken down, as a division of the total, at:

Plummer to St. Maries: -----	453.57 Acres -----	\$275,700. <i>\$607/acre</i>
St. Maries to Avery: -----	1,014.95 Acres -----	\$193,600. <i>\$190/acre</i>
St. Maries Branch to Bovill: -	738.03 Acres -----	\$137,200. <i>\$186/acre</i>

Sincerely,

WESTERN APPRAISALS AND SURVEYS



Terry R. Rudd, M.A.I.
Gary E. Meisner, M.A.I.
Lynn A. Reddekopp, Appraiser

LAR/cp

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

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WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

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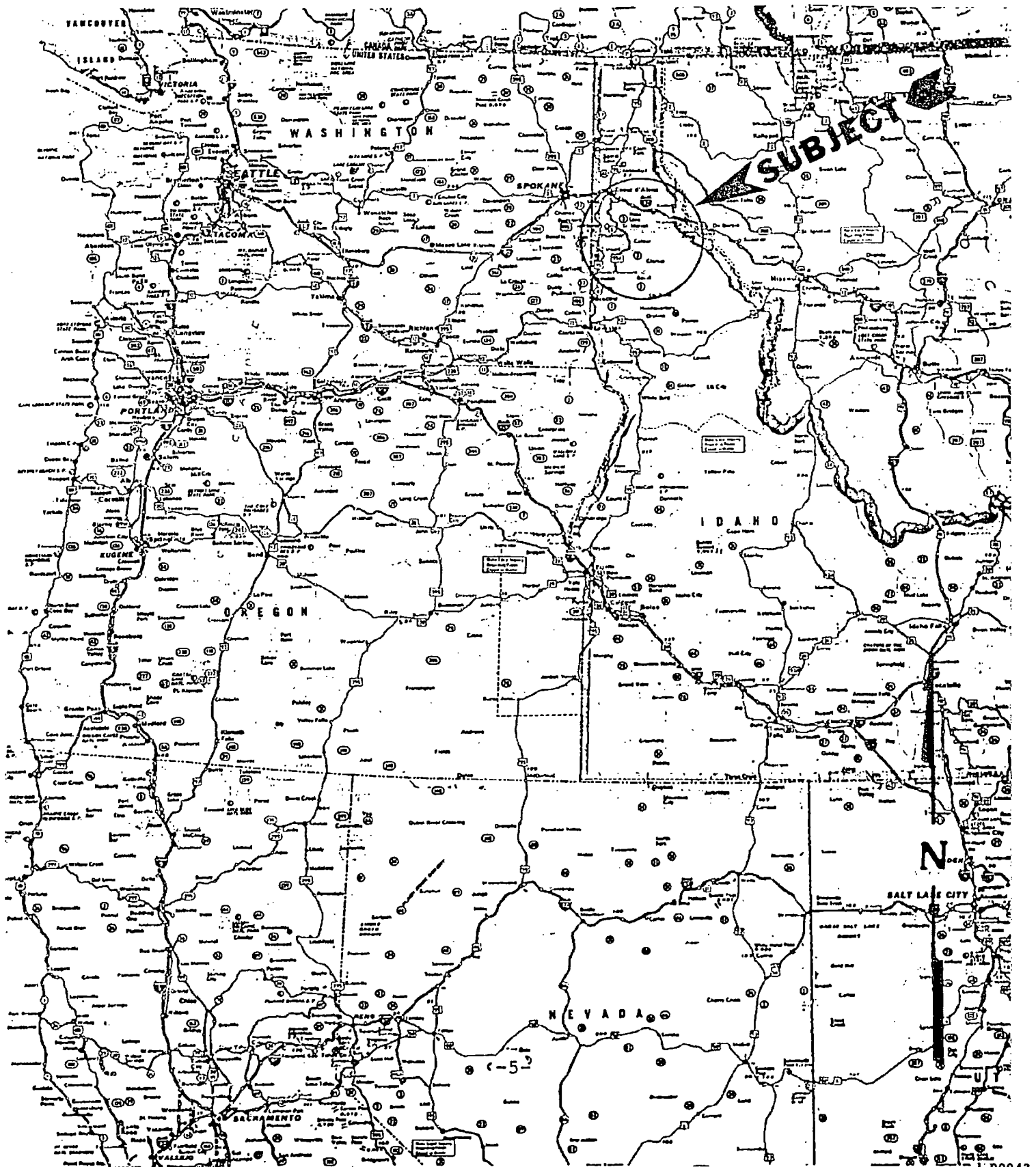
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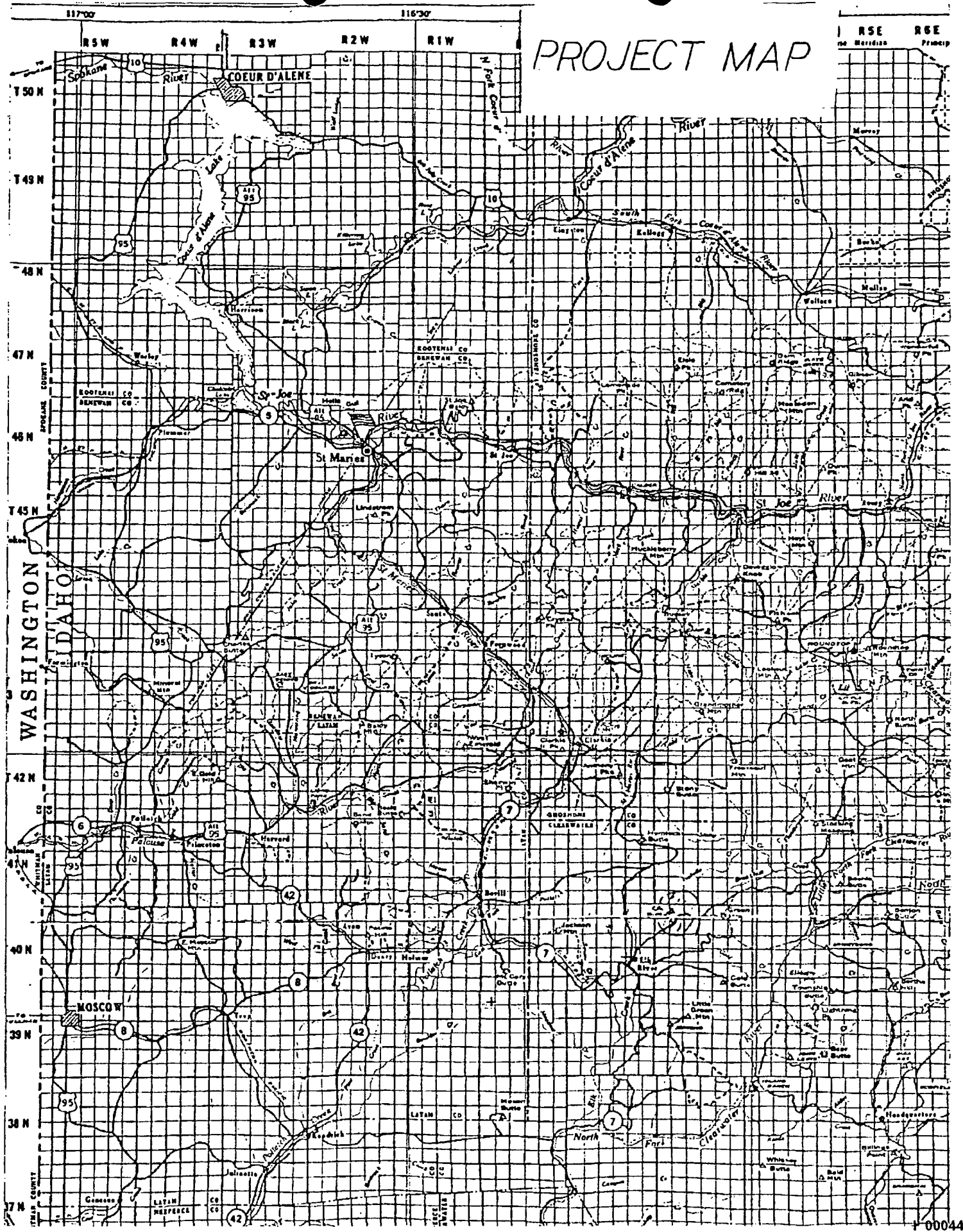
Timberland Sales
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III. AREA MAPS

A. REGIONAL MAP



PROJECT MAP



WESTERN APPRAISALS & SURVEYS

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IV. PURPOSE OF APPRAISAL

The purpose of this appraisal is to estimate present fair market value of clear title to the subject property as of the date of this appraisal. For the purpose of this appraisal, clear title to the subject property includes consideration of fee simple value of all deeded land plus continued right to utilize easement acreages in conjunction with a railroad operation.

Fair market value, as used in this report, is defined as: "The price estimated, in terms of money, which a given property will bring if exposed for sale in the open market for a reasonable length of time and transferred between willing and knowledgeable buyers and sellers, neither under compulsion to act and both aware of all the uses to which the property is adapted and for which it is capable of being used."

The purpose of this appraisal is to estimate the land value for a portion of the Milwaukee Railroad in Northern Idaho. This appraisal does not include consideration of trackage, bridges, communication wires or the railroad equipment.

V. DATE OF APPRAISAL

The date of this appraisal is December 11, 1979. All comparable data are considered as adjusted to this point in time.

VI. VALUATION METHODS

The most professional and dependable techniques, as advanced by the American Institute of Real Estate Appraisers, have been used throughout this appraisal and report. Fair market value is the objective and will be obtained in consideration of the Cost, Income and Comparable Sales (market) Approaches to value. In the case of the subject property, the Cost Approach is inapplicable.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

VI. VALUATION METHODS (CONTINUED)

The Income Approach was not completed for this appraisal because of the unknown future of the railroad operation.

The Market Data Approach considered in this appraisal report considers direct comparison of railroad sales to the subject and the traditional railroad right of way valuation technique, which considers "across-the-fence" values as applied to the subject property, plus an assemblage value allowing consideration for acquisition of a continuous right of way.

VII. AREA AND NEIGHBORHOOD DATA

The subject property begins on the western end of the south city limits of the city of Plummer, Idaho, located in Western Benewah County, approximately 50 miles southeast of Spokane, Washington, and 90 miles north of Lewiston, Idaho. The subject railroad continues in an easterly direction from Plummer through Heyburn State Park, approximately 19 highway miles to St. Maries, Idaho. At St. Maries, the main line continues easterly, approximately 50 miles up the St. Joe River Valley to Avery, Idaho. The subject property ends at the eastern end of the Avery yard near the mouth of the North Fork of the St. Joe River.

The St. Maries branch line begins on the easterly side of St. Maries and continues up the St. Maries River Valley through Santa, Fernwood to Clarkia, Idaho. From Clarkia, the subject railroad continues south over Sherwin Hill to Purdue Station, north of Bovill, Idaho. At Purdue Station, the Milwaukee connects to W. I. and M. trackage, which allows a connection to Bovill, where an additional 1.73-acre tract within the W. I. and M. Bovill yard limits is included in this appraisal.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

VII. AREA AND NEIGHBORHOOD DATA (CONTINUED)

The subject property is located in Benewah, Shoshone and Latah Counties in Northern Idaho. The majority of the property is located in Benewah County. The Benewah County seat is St. Maries, with a population of approximately 3,000. Plummer is the major population concentration in Western Benewah County, with a population of approximately 500. Santa, with a population of 100, and Fernwood, with a population of 315, are located in the southeastern part of Benewah County.

The main line route from St. Maries to Avery follows the St. Joe River drainage to St. Joe city, with a population of 50, Calder, with a population of 130, to Avery, with a population of 430. The St. Maries to Avery route enters Shoshone County between St. Joe city and Calder. The major population in Shoshone County is in the Couer d'Alene Mining District, which is the next east-west drainage north of the St. Joe River Valley. The southern part of Shoshone County is very sparsely populated, with Calder, Avery and Clarkia being the only towns.

The branch line from St. Maries to Bovill follows the St. Maries River drainage southeast from St. Maries through Santa, population 100, and Fernwood, population 315, into Shoshone County to Clarkia, population 190. At Clarkia, the route turns south into Latah County to near Bovill, population 350.

The population figures are based on 1970 census data and have not changed appreciably, with the exception of St. Maries and Plummer, which have grown somewhat. The rural areas have increased in population more than the cities and towns in the area.

Benewah, Shoshone and Latah Counties are located southeast of Spokane and make up part of the Idaho Panhandle from Washington to Montana, southeast of Spokane. The western part of Benewah

WESTERN APPRAISALS & SURVEYS

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VI. AREA AND NEIGHBORHOOD DATA (CONTINUED)

and Latah Counties is part of the rich, dry farm Palouse Farm District, primarily a soft, white wheat farm area, also boasted as the "Dry Pea and Lentil Capital of the World." Moscow, Idaho, is the county seat of Latah County and also is the site of the University of Idaho. The rolling Palouse Farm District breaks into mountainous terrain in less productive timberland type soils near the western boundary of Latah and Benewah Counties. The remainder of Latah, Benewah and Shoshone Counties is mountainous terrain, becoming more rugged to the Easterly Bitterroot Mountain Range, which forms the Montana-Idaho border.

The majority of Eastern Shoshone County is U.S. Forest Service owned land, as is some of Eastern Latah and Benewah Counties. Much of the lower, more productive timberlands in Eastern Benewah and Shoshone Counties are privately owned, primarily by railroads and timber companies. The St. Maries River Valley and the St. Joe River Valley are primarily timber oriented with cattle grazing land, hayland and limited cultivated grain land on the valley floors.

The economy of the region is primarily lumber industry oriented. Mills, including Diamond International, Idaho Forest Industries and Potlatch Corporation, located in Coeur d'Alene, the St. Maries Plywood Plant, located in St. Maries, the Potlatch Mill in Potlatch, Idaho, Bennett Lumber Products, located in Princeton, Idaho, and the Potlatch Corporation complex in Lewiston, draw on the industries, as well as numerous smaller mills and specialty product plants throughout the area.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

VIII. DESCRIPTION OF SUBJECT

A. LEGAL DESCRIPTION

The legal description of the subject property includes both deeded and easement rights of way, as well as associated properties. The legal description of the subject was taken from the Chicago, Milwaukee and St. Paul Ryco right of way and track maps, Idaho Division V IDA, No's. 1 and 2 through 19. It includes the area between Station 848 + 41.4 at the south city limits of Plummer, through Station 1219 + 20 on the eastern edge of Avery. The St. Maries branch line legal is from maps VIDA-3, No's. 1 through 13, beginning at Station 2 + 67.2 at St. Maries through Station 301 + 97.5, known as Purdue Station near Bovill. A tract of land containing approximately 1.73 acres in Section 25, Township 41 North, Range 4 West, surrounded by W. I. and M. ownership in the Bovill yard, is also included in this appraisal. The scaled legal description of this tract is as follows:

Beginning 1,050 feet West and 290 feet North of the Southeasterly corner of said Section 29 as the true point of beginning, thence North $6^{\circ} 26' 30''$ West 545 feet, thence West 90° left 85 feet, thence 90° right to the North $6^{\circ} 26' 30''$ West, bearing 1,400 feet, thence 90° left 15 feet, thence 90° left a distance of 1,945 feet parallel to the East side, thence left 90° 100 feet to the point of beginning, containing 1.7 acres.

The subject properties include area in the following sections, townships and ranges.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

A. LEGAL DESCRIPTION (CONTINUED)

MAIN LINE, PLUMMER TO AVERY

BENEWAH COUNTY

Township 46 North, Range 4 West, Sections: 18, 7, 17, 8, 9, 4,
3, 10, 2, 1 and 12.

Range 3 West, Sections: 7, 8, 9, 10, 11, 12
and 13.

Range 2 West, Sections: 18, 17, 20, 21, 22,
23, 14 and 13.

Range 1 West, Sections: 18, 17, 16, 15, 22,
23, 14 and 24.

Range 1 East, Sections: 19, 20, 21 and 22.

SHOSHONE COUNTY

Township 46 North, Range 1 East, Sections: 22, 23, 24 and 25.

Range 2 East, Sections: 30 and 31.

Township 45 North, Range 2 East, Sections: 6, 5, 4, 3, 2, 1 and
12.

Range 3 East, Sections: 6, 7, 5, 8, 4, 3, 10,
11, 14, 13 and 12.

Range 4 East, Sections: 18, 17, 8, 16, 15, 10,
11, 14 and 12.

Range 5 East, Sections: 7, 18, 17, 8, 9, 16,
15, 14 and 11.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

A. LEGAL DESCRIPTION (CONTINUED)

BRANCH LINE, ST. MARIES TO BOVILL

BENEWAH COUNTY

Township 46 North, Range 2 West, Sections: 23, 26 and 35.

Township 45 North, Range 2 West, Sections: 1, 2, 3, 4, 8, 9, 17,
18, 20, 21, 28, 29,
33, 34, 35, 26 and 36.

Range 1 West, Section: 31.

Township 44 North, Range 2 West, Section: 1.

Range 1 West, Sections: 6, 5, 8, 9, 16, 15, 22,
23, 26, 25 and 36.

Range 1 East, Section: 31.

Township 43 North, Range 1 East, Sections: 6, 5, 8, 9, 16 and 15.

SHOSHONE COUNTY

Township 43 North, Range 1 East, Sections: 15, 22, 23, 24, 25
and 36.

Range 2 East, Section: 31.

Township 42 North, Range 2 East, Sections: 6 and 7.

Range 1 East, Sections: 13, 12, 24, 25, 26
and 27.

LATAH COUNTY

Township 42 North, Range 1 East, Sections: 27, 28, 33, 32 and 31.

Township 41 North, Range 1 East, Sections: 6 and 7.

Range 1 West, Sections: 13 and 12.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

A. LEGAL DESCRIPTION (CONTINUED)

Range 1 East, Sections: 18 and 19.

Range 1 West, Section: 24.

The following portions of the subject property are right of way easements.

U.S.A. Easements (USDA Forest Service)

Township 45 North, Range 4 East, Section: 12.

Range 5 East, Section: 18, NW 1/4, 16, 14
and 11.

Idaho State Easements

Township 45 North, Range 2 West, Sections: 8 and 36.

Township 44 North, Range 1 West, Sections: 6, 16, 26 and 36.

Township 43 North, Range 1 East, Sections: 5 and 6.

Snow Easements

Snow easements exist along several sections of both the main line Plummer to Avery route and the St. Maries to Bovill route.

B. ACREAGE

The acreage of the subject property has been calculated in three segments. This appraisal is divided into three sections, the Plummer to St. Maries section, the St. Maries to Avery section and the St. Maries Branch Line to Bovill section. Acreage has been calculated from a station to station point from railroad maps, with the exception of the main line in Shoshone County, where the acreage was calculated utilizing a digitizer due to poor quality maps available. 14-

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

B. ACREAGE (CONTINUED)

The acreage and ownership utilized in this report has been taken from maps identified as: "Right of Way and Tract Map" Idaho Division Main line V. IDA Maps No. 1 and 2, 3 through 19, and "Right of Way and Tract Map" St. Maries Branch V. IDA 3, Maps 1 through 13. The station to station and digitized acreage calculations are included in the appendix. Acreages are summarized as follows:

<u>LOCATION</u>	<u>ACREAGE</u>
Plummer to St. Maries	453.57
St. Maries to Avery	1,014.95
St. Maries Branch to Purdue (Bovill)	736.3
Bovill Yard Tract	1.73

C. SUBJECT PHOTOGRAPHS

Photographs of the subject property include an oblique, high-level, complete aerial photograph coverage of the main line and branch line, as well as selected low-level aerial photographs of portions of these two lines. The third set of photographs were taken on the ground in conjunction with rights of way with timber cruise samples described later in the report. Aerial photograph maps of the subject lines are included in the subject maps section of this report.

WESTERN APPRAISALS & SURVEYS

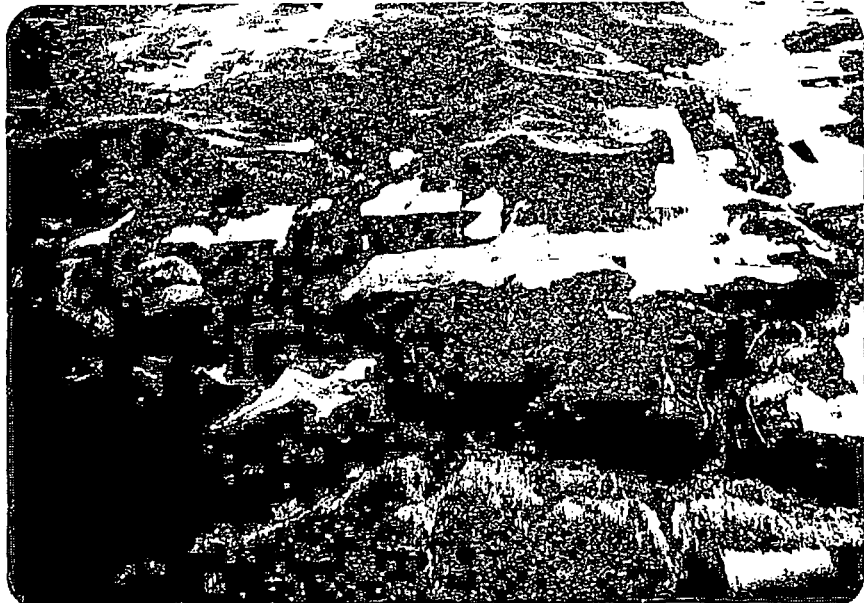
A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)

MAINLINE HIGH-LEVEL AERIAL PHOTOGRAPHS, PLUMMER TO AVERY



Photograph No. 1: Southeasterly high-level aerial photo from the western end of subject line to Little Plummer Creek Loop.



Photograph No. 2: Southerly view of subject, identified from Little Plummer Creek Loop to Rocky Point area in Heyburn State Park.

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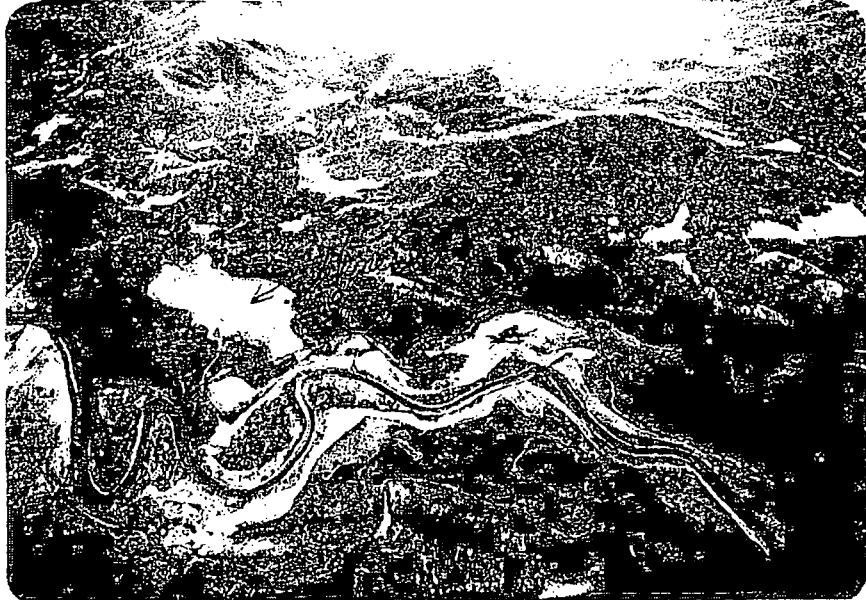
TERRY R. RUDD, M.A.I.
PROFESSIONAL REAL ESTATE APPRAISER

GARY E. MEISNER, M.A.I.
PROFESSIONAL REAL ESTATE APPRAISER

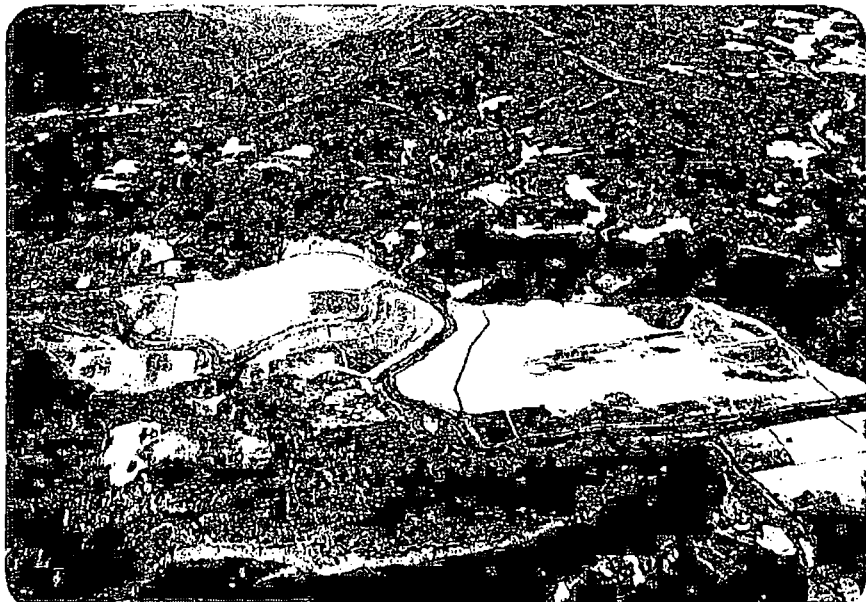
WESTERN APPRAISALS & SURVEYS

A Division of Chas. J. Smith, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 3: Southerly view from Rocky Point in Heyburn State Park to Ramsdell area, including the Benewah Lake tressel.



Photograph No. 4: Southerly view from near the Ramsdell area to St. Maries.

WESTERN APPRAISALS & SURVEYS

A Division of Western Appraisals & Surveys, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



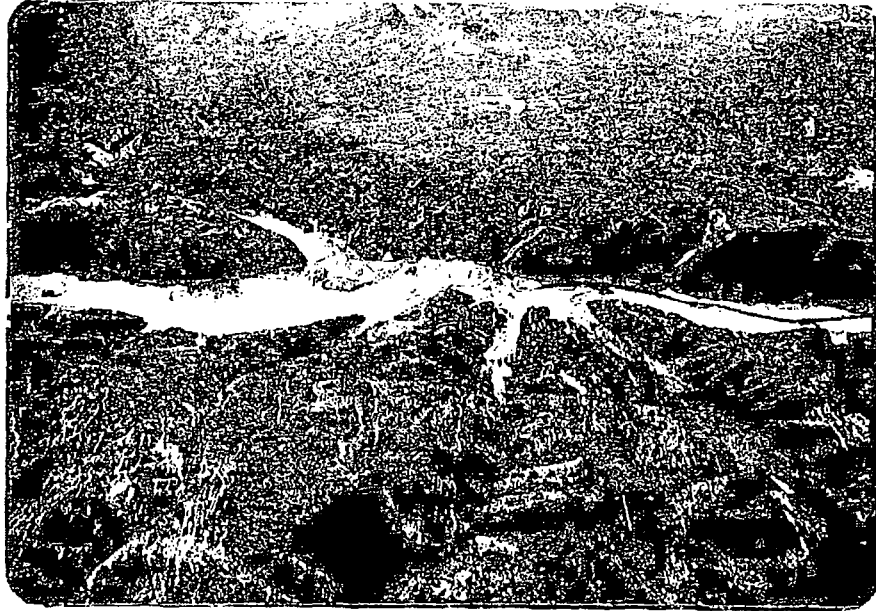
Photograph No. 5: Southerly view from St. Maries to Porret Lake with the branch line beginning at St. Maries identified.



Photograph No. 6: Southerly view of the mainline from Porret Lake east up the St. Joe River Valley.

WESTERN APPRAISALS & SURVEYS

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 7: Southerly view of the mainline route up the St. Joe River Valley past St. Joe city to Shoshone County line.

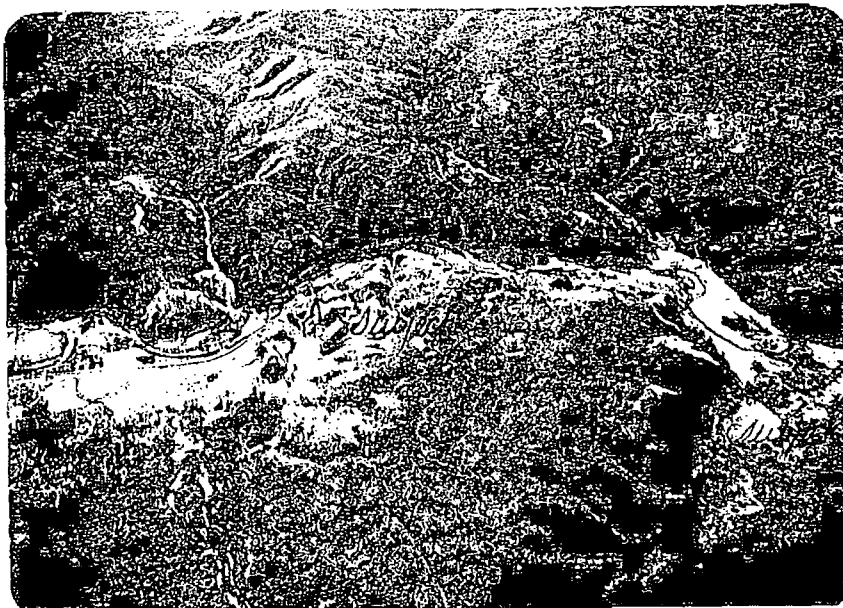


Photograph No. 8: Southerly view of the mainline route from St. Joe city east. The railroad right of way crosses the St. Joe River in the central portion of the photograph.

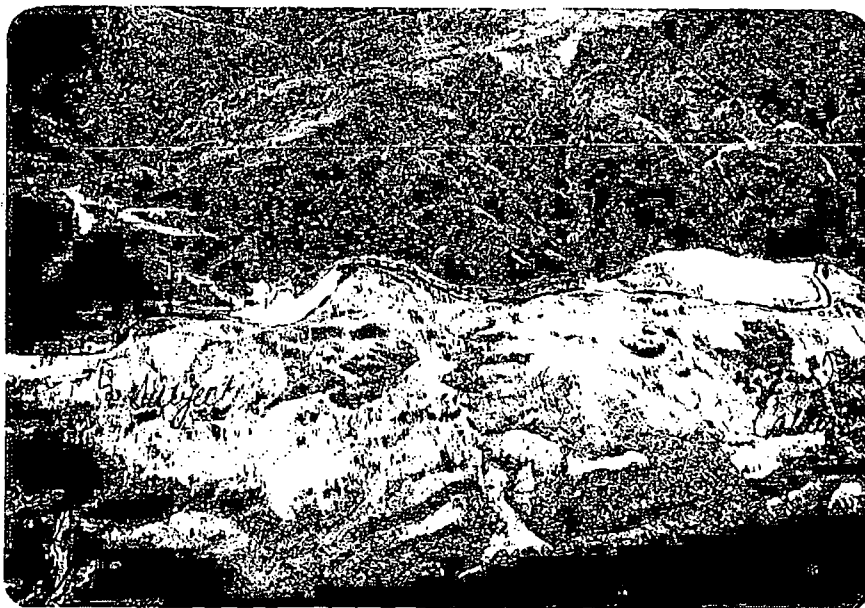
WESTERN APPRAISALS & SURVEYS

A Division of Calverton Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 9: Southerly view of the mainline trackage from Hugus Creek to Calder.



Photograph No. 10: Southerly view of the mainline route up the St. Joe River from Calder to near Herrick.

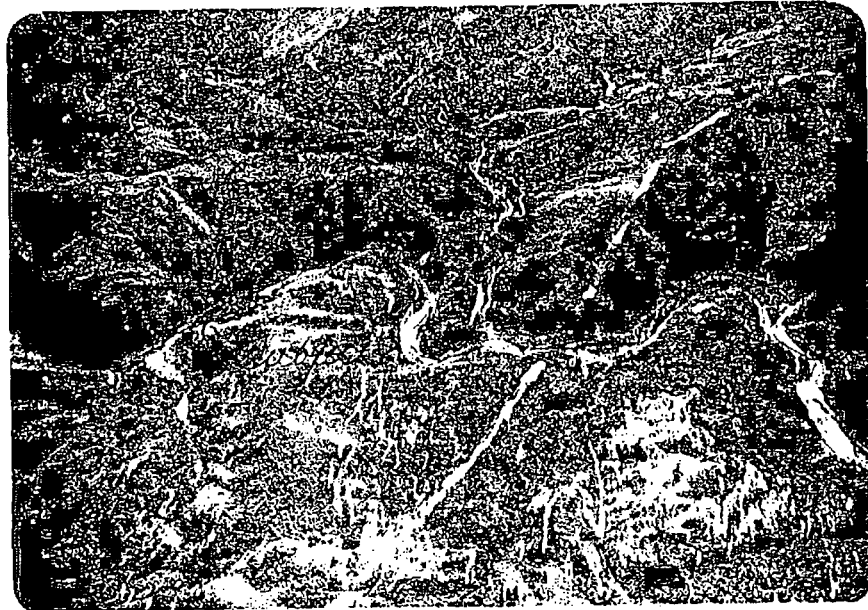
WESTERN APPRAISALS & SURVEYS

A DIVISION OF THE WESTERN SURETY COMPANY

C. SUBJECT PHOTOGRAPHS (CONTINUED)



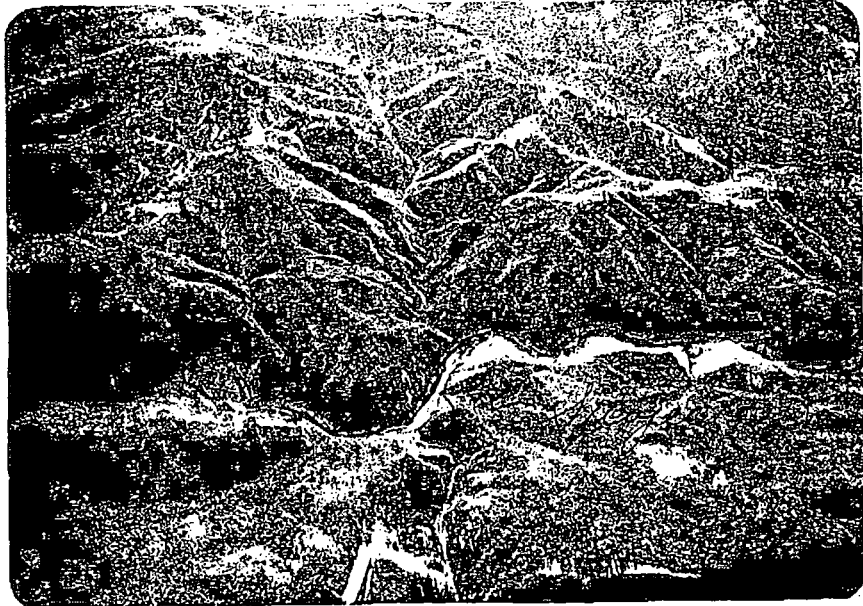
Photograph No. 11: Southerly view of the mainline route from Erlmo near Marble Creek.



Photograph No. 12: Southerly view of the mainline route from Erlmo past Marble Creek to Blackjack Creek.

WESTERN APPRAISALS & SURVEYS
A Division of Management, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 13: Southerly view of the mainline route from the St. Joe River from Blackjack Creek past Hoyt Flat to Ethelton.



Photograph No. 14: Southerly view of the mainline route from Ethelton east past Fishhook Creek to near the Avery West Landing.

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WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



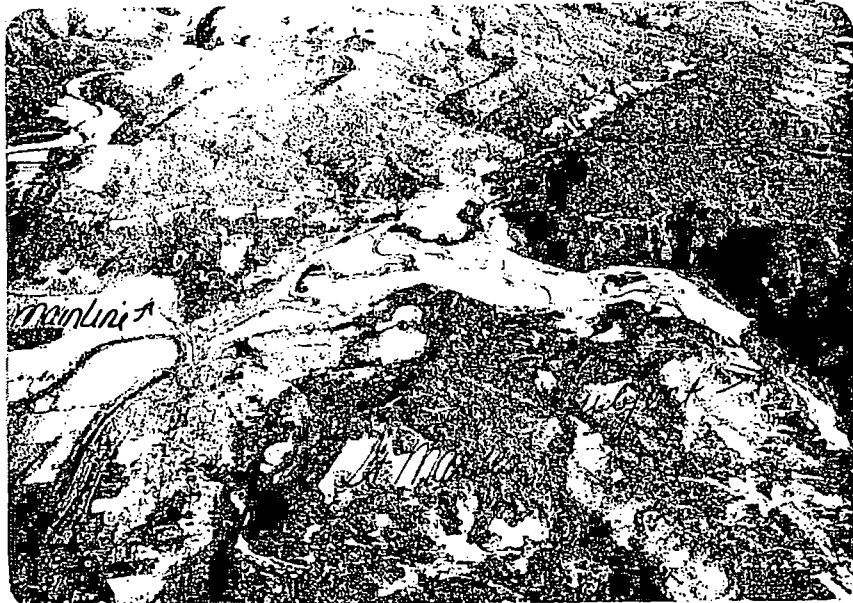
Photograph No. 15: Southerly view of the easterly end segment
of the mainline from Fishhook Creek to Avery.

WESTERN APPRAISALS & SURVEYS

A Division of Conservator & Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)

ST. MARIES BRANCH LINE HIGH-LEVEL AERIAL PHOTOGRAPHS



Photograph No. B-1: Easterly view of lower end of St. Maries River Valley with beginning of branch line near mouth of St. Maries River in left central portion of photograph.



Photograph No. B-2: Easterly view of the branch line from near St. Maries to Stickney Gulch.

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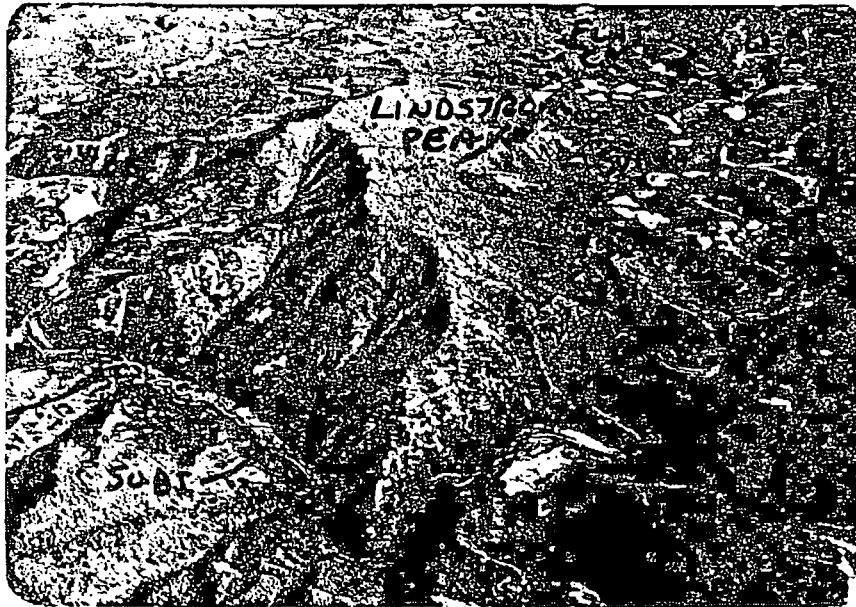
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PROFESSIONAL REAL ESTATE APPRAISER

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-3: Northeasterly view of the branch line route up the St. Maries River Valley, including most of the portion covered in the last photograph, past Carlin Creek, Alder Creek and John Creek to Flats Creek. The railroad crosses the St. Maries River near Lotus in the lower central portion of the photograph and again near John Creek on the right central portion of the photograph.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-4: Northeasterly view with St. Maries covered on the right side of the last photograph.



Photograph No. B-4A: Northeasterly view of the branch line route from Carlin Creek in the lower left portion of the photo.

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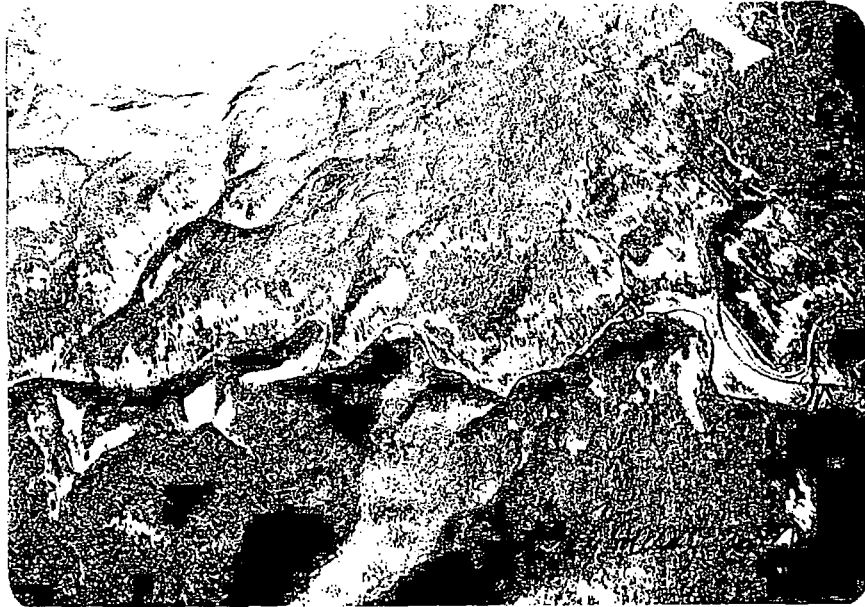
TERRY R. RUDD, M.A.I.
PROFESSIONAL REAL ESTATE APPRAISER

MARY E. MEISNER, M.A.I.
PROFESSIONAL REAL ESTATE APPRAISER

WESTERN APPRAISALS & SURVEYS

A Division of Conservation Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-5: Northeasterly view of branch line route in St. Maries River Valley from Flats Creek on left to Mashburn on right, with State Highway 3 (95A) crossing the railroad at Mashburn.



Photograph No. B-6: Northeasterly view of St. Maries River Valley and railroad route from Mashburn to Santa.

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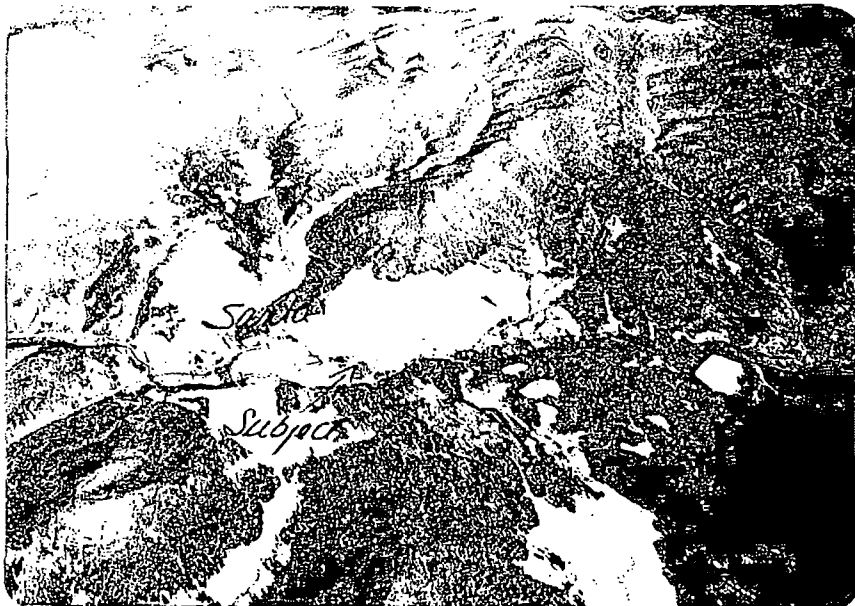
TERRY R. RUDD, M.A.I.
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PROFESSIONAL REAL ESTATE APPRAISER

WESTERN APPRAISALS & SURVEYS

A Division of Conservator, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-7: Northeasterly view from Santa to Fernwood.

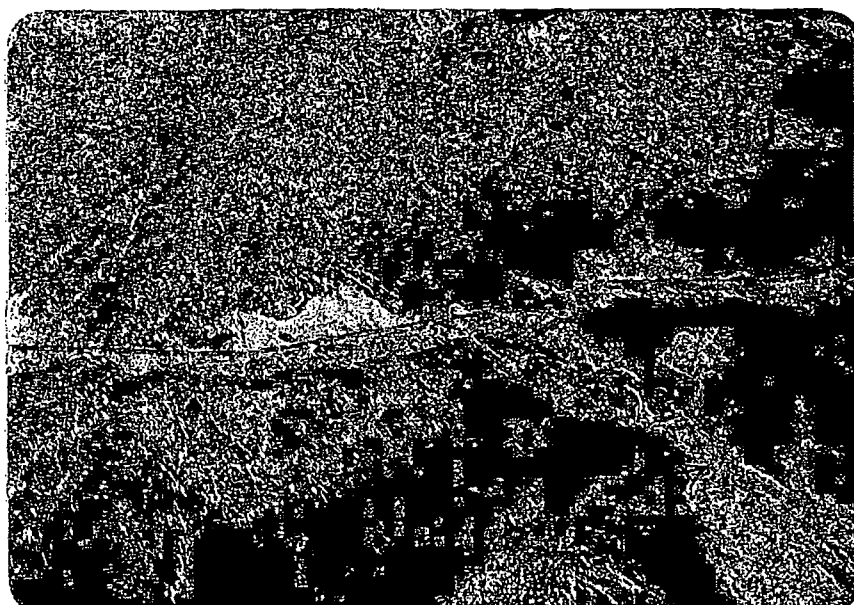


Photograph No. B-8: Northeasterly view of the subject route
along the St. Maries River from Fernwood to Hatton Creek.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)

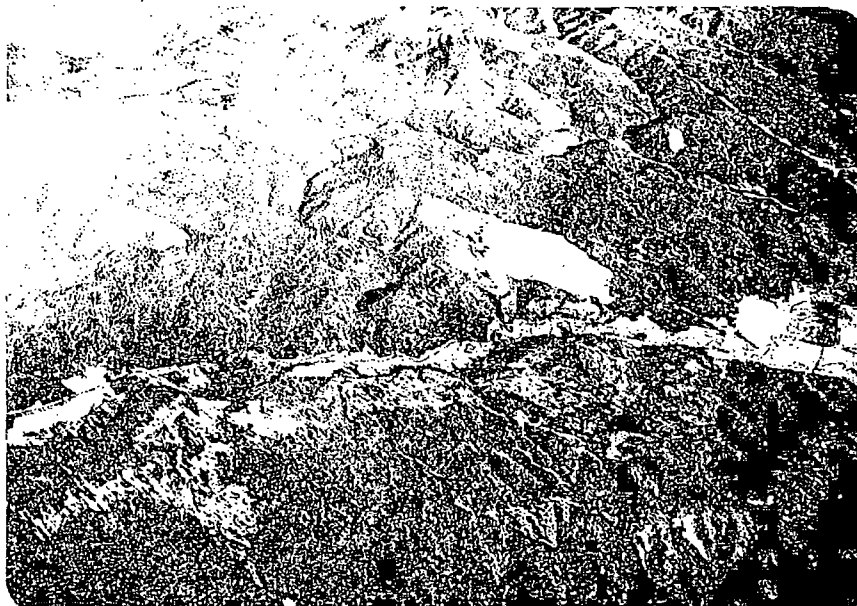


Photograph No. B-9: Northeasterly view of subject route along the St. Maries River from Hatton Creek past Emerald Creek and Jim's Spur to near the metropolitan bridge. The subject route crosses from Benewah to Shoshone Counties near Emerald Creek.

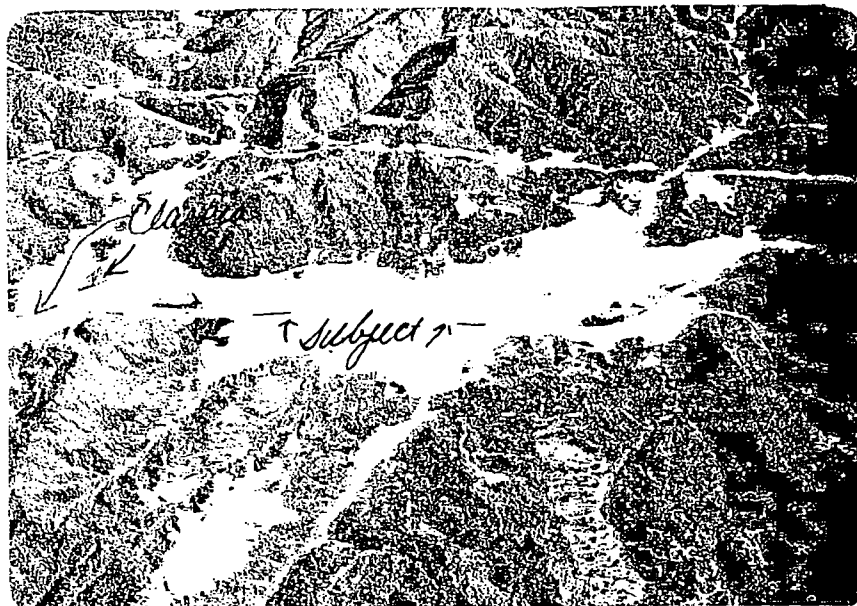
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-10: Northeasterly view of subject route along St. Maries River Valley from the metropolitan bridge on left to Clarkia on right. The railroad bridge crosses St. Maries River near the metropolitan (highway) bridge in the left central portion of the photo.



Photograph No. B-11: Easterly view from Clarkia to southern end of Clarkia Meadow. -30-

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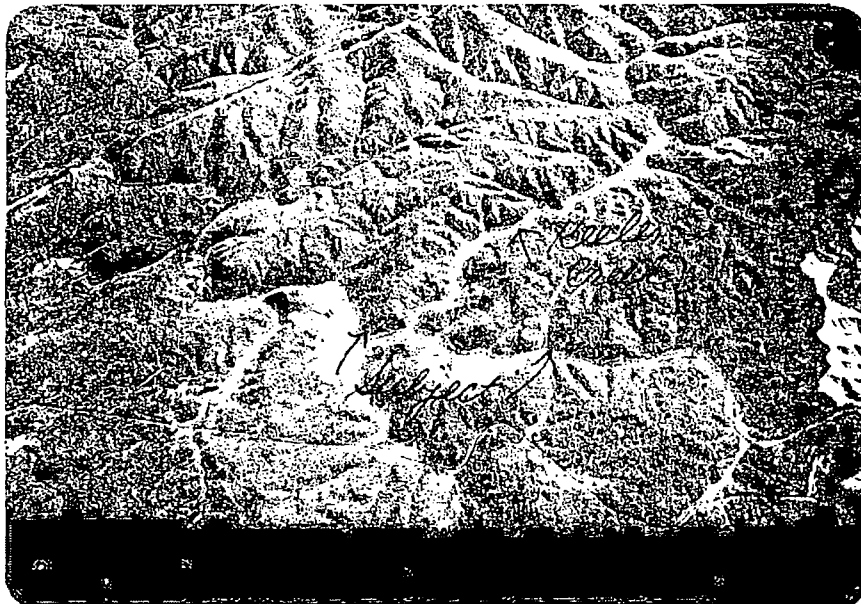
GARY E. MEISNER, M.A.I.
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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-12: Southeasterly view of the southern end of Clarkia Meadow on the subject route in the Keeler Creek area.



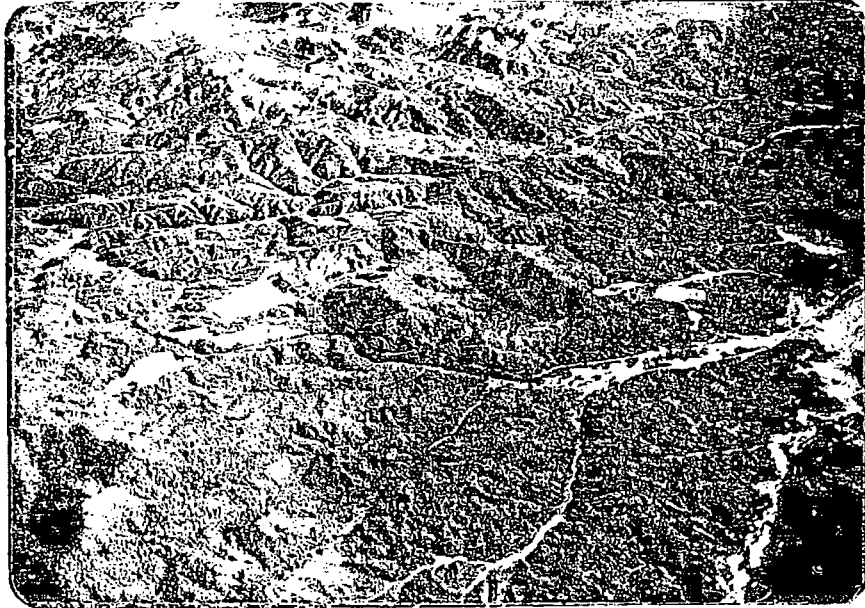
Photograph No. B-13: Southeasterly view of the subject route along the west part of St. Maries River to Sherwin Summit in lower right section of photo.

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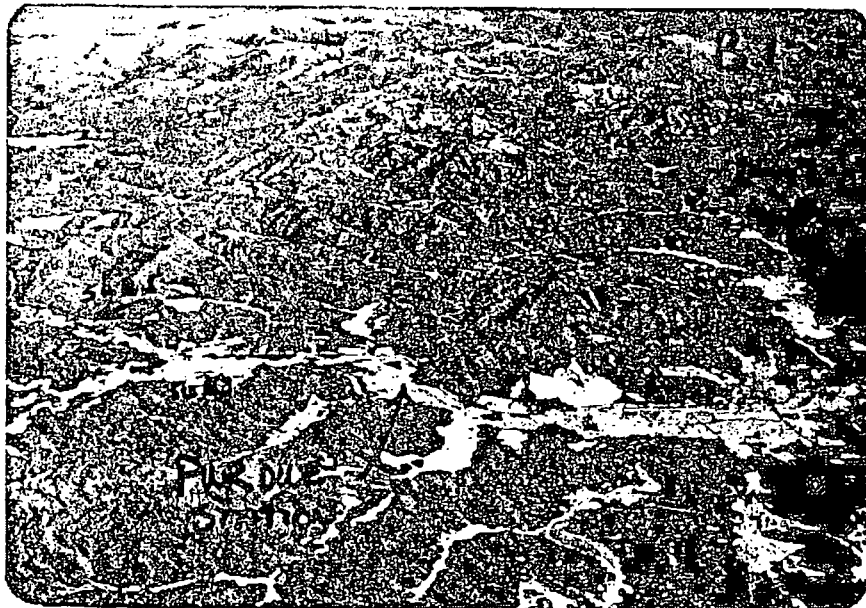
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-14: Easterly view from Keeler Creek to near Purdue Station.



Photograph No. B-15: Easterly view of the southern end of the subject from the Potlatch River to Bovill with the track right of way ending at Purdue Station north of Bovill.

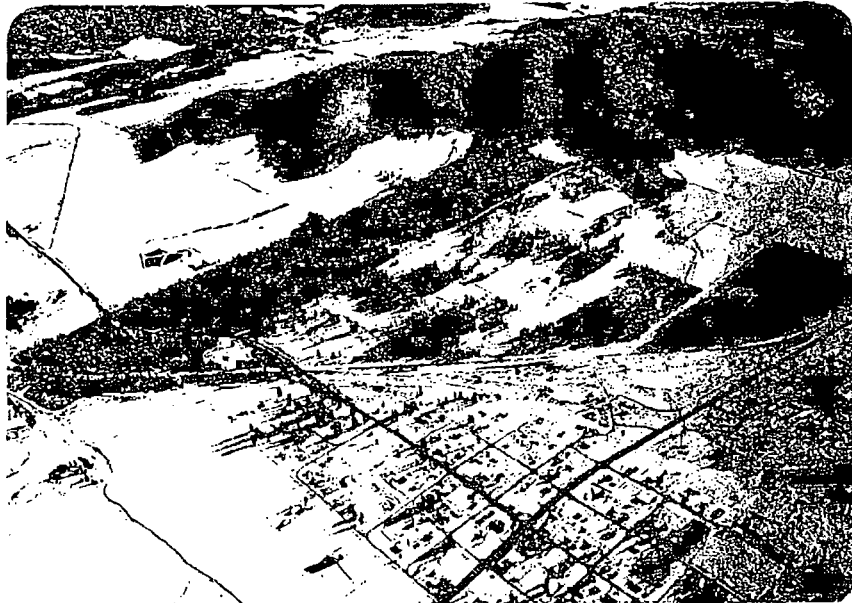
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WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)

MAINLINE LOW-LEVEL AERIAL PHOTOGRAPHS



Photograph No. 1: Southeasterly view of Plummer.



Photograph No. 2: Southeasterly view of Plummer Station E.

WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 3: Southeasterly view of Plummer Creek and Little Plummer Creek Loop route.



Photograph No. 4: Southerly view from Little Plummer Creek Loop east in the Heyburn State Park.

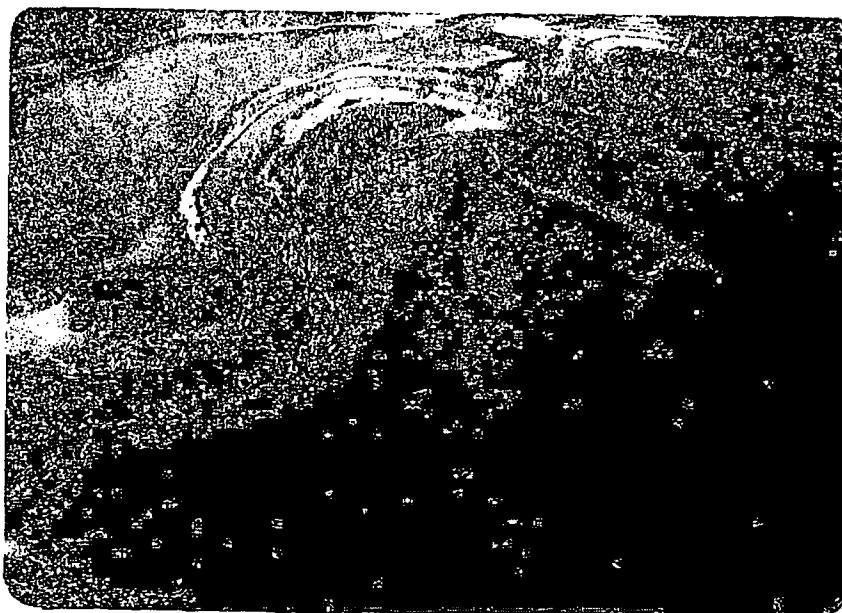
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 5: Southerly view of Pedee area.

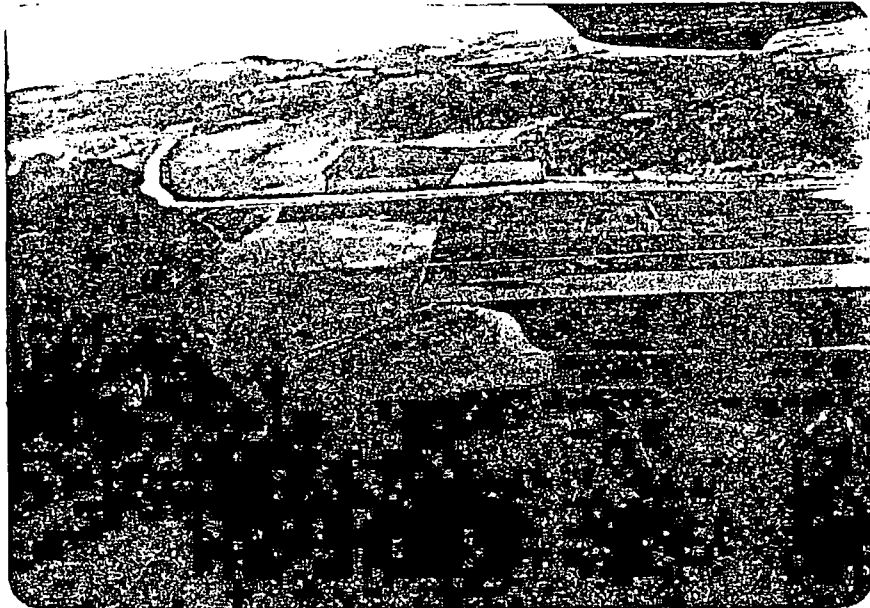


Photograph No. 6: Northeasterly view of the Benewah Lake
tressel.

WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 7: Northerly view from near Ramsdell on left upper portion of photo with railroad right of way meandering along lower side of cultivated field in photo.



Photograph No. 8: Northwesterly view just west of St. Maries Ply-wood Plant with railroad ROW at lower edge of cultivated field. This 450 acre field is currently being sold to the City of St. Maries for sewage plant expansion.

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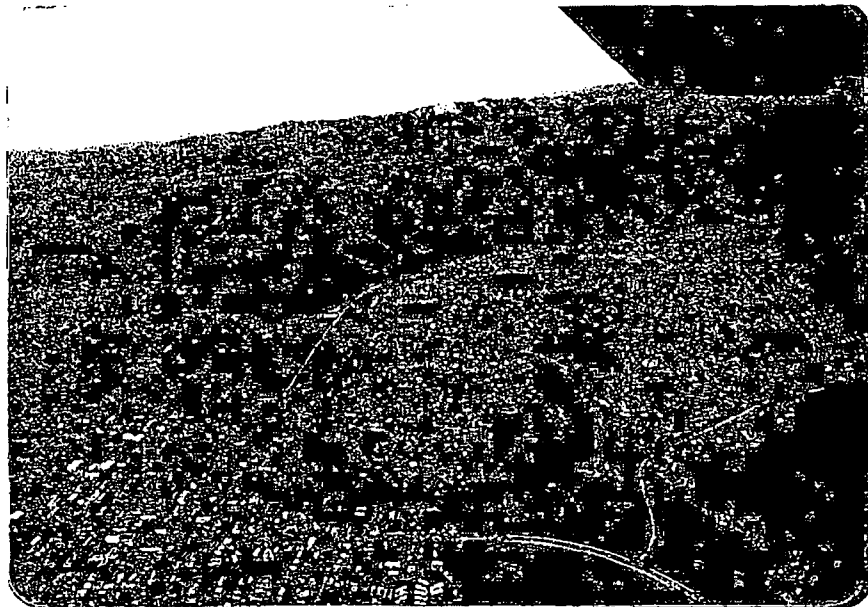
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 9: Northerly view of a portion of the city of St. Maries with railroad trackage evident through central portion of photo.



Photograph No. 10: Northeasterly view of city of St. Maries with branch line beginning in lower central portion of photo & mainline crossing St. Maries River & winding east up St. Joe River Valley. The Plummer to St. Maries valuation segment ends in upper right section of photograph.

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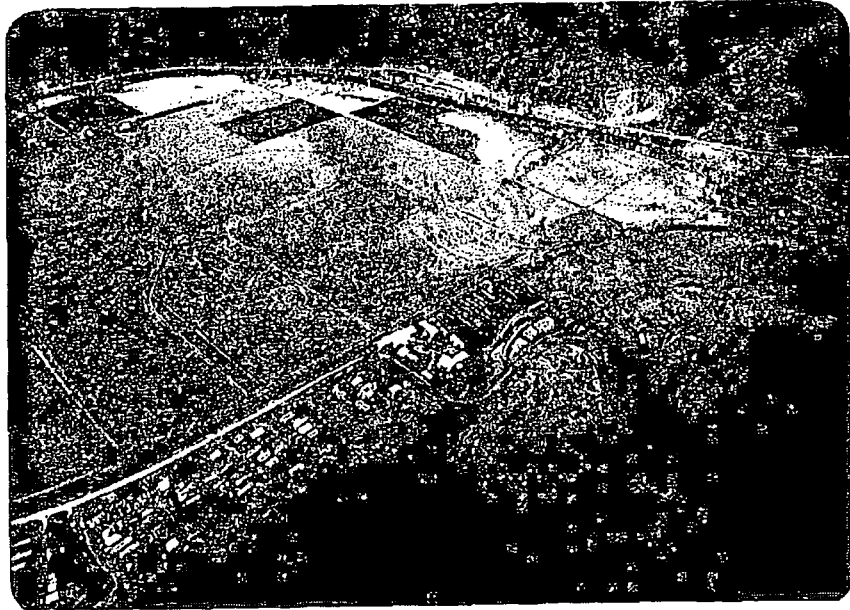
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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 11: Northwesterly view of east end of Plummer to St. Maries evaluation section shown in last photo.



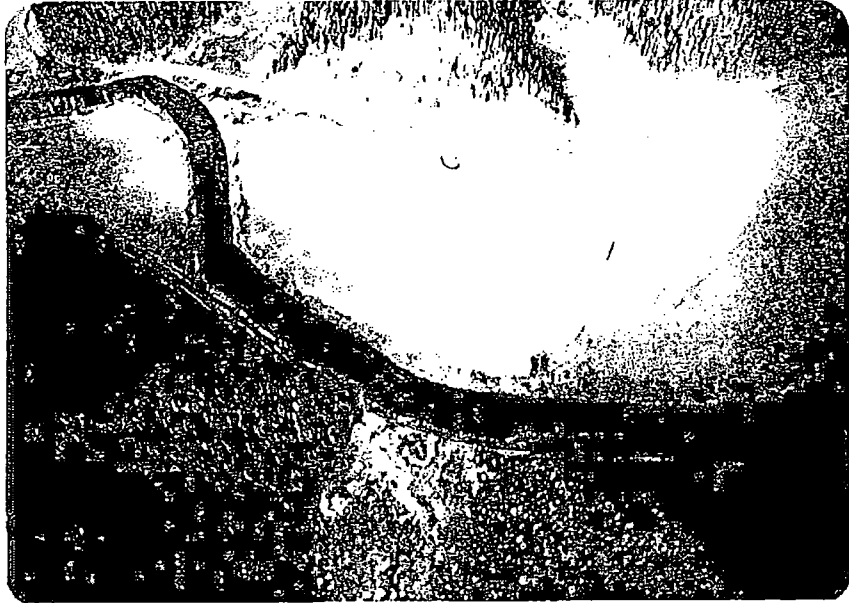
Photograph No. 12: Northwest view of lower St. Joe River Valley, including Porret and Bells Lake just east of St. Maries. The subject ROW is on south (lower) side of St. Joe River, while the only all-weather highway access is on north (upper) side of photo.

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WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 13: The subject ROW crosses Mercury Creek in lower central portion of photo, with Rochat Creek and Phillips Draw shown on north side of river.



Photograph No. 14: Northerly view with the subject railroad ROW at the foot of the timbered hill along the lower side of the photo, taken just east of St. Joe city.

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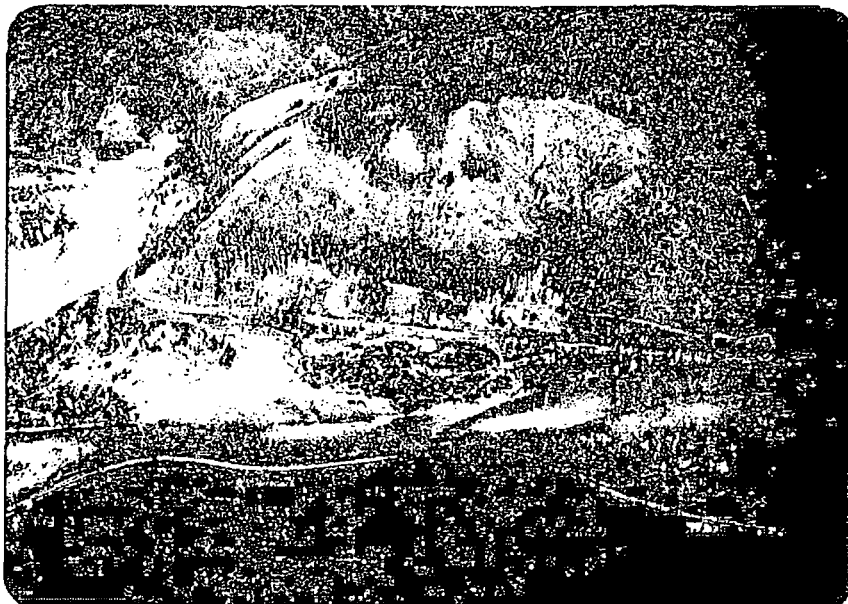
WESTERN APPRAISALS & SURVEYS

A Division of G.S. Western, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 15: Northerly view from Falls Creek to the highway bridge, with the railroad bridge crossing the river approximately one inch left of the highway bridge.



Photograph No. 16: Northerly view of the subject ROW on the northerly side of the St. Joe River Valley with Trout Creek on the left side of the photo.

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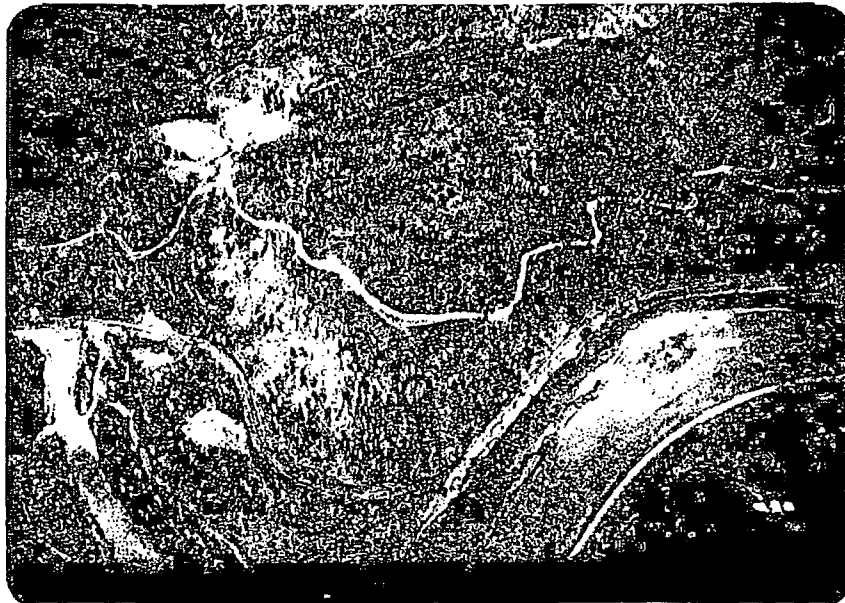
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 17: Northerly view with the subject ROW crossing the central portion of photo to Calder on the right.



Photograph No. 18: Northerly view from Elk Creek on the left side of the photo.

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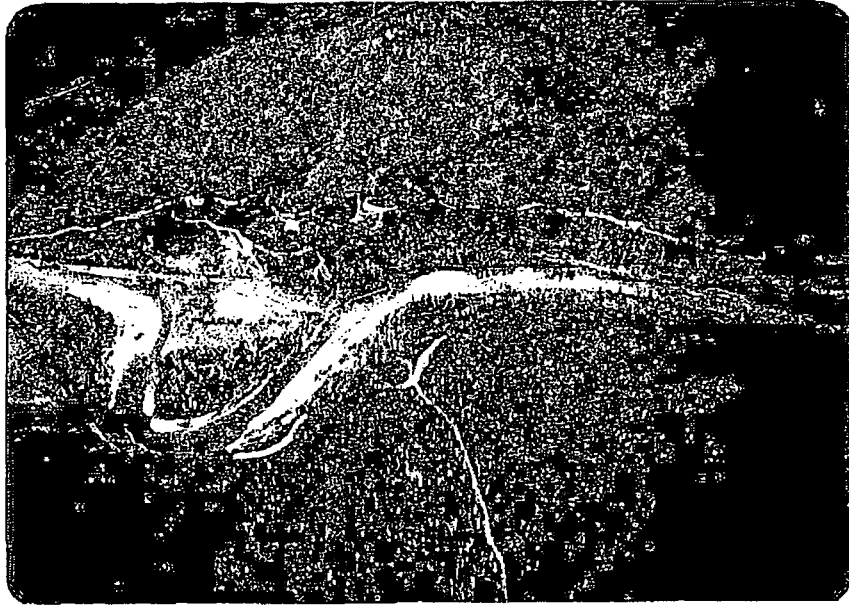
TERRY W. RUDD, M.A.I.
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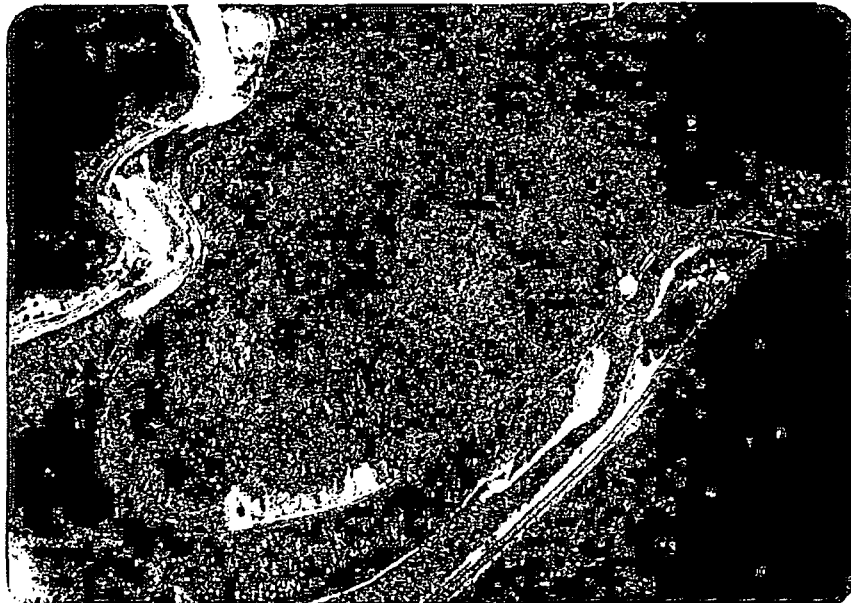
WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. , SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 19: Northerly view of the subject ROW with Agatha Creek on the right side of the photo.



Photograph No. 20: Northerly view from Erlmo to Pocono, near Marble Creek.

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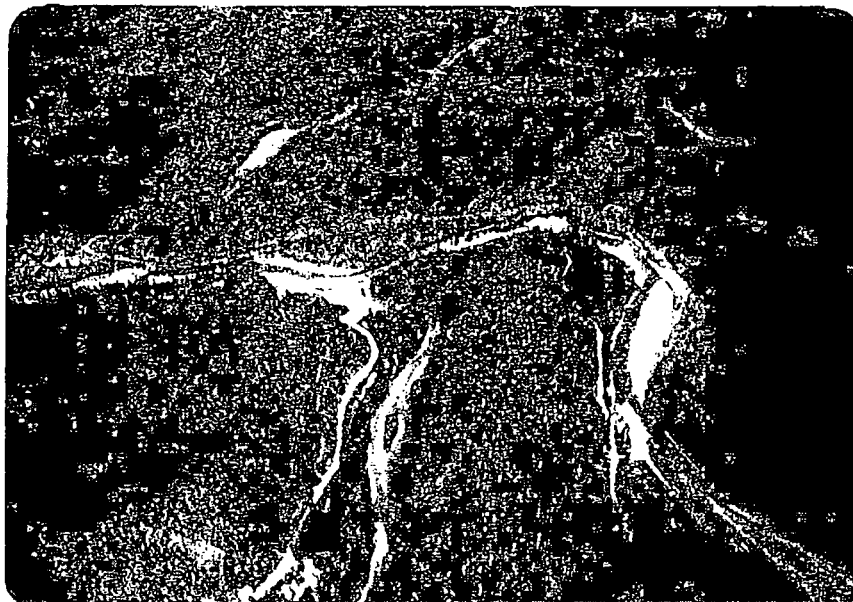
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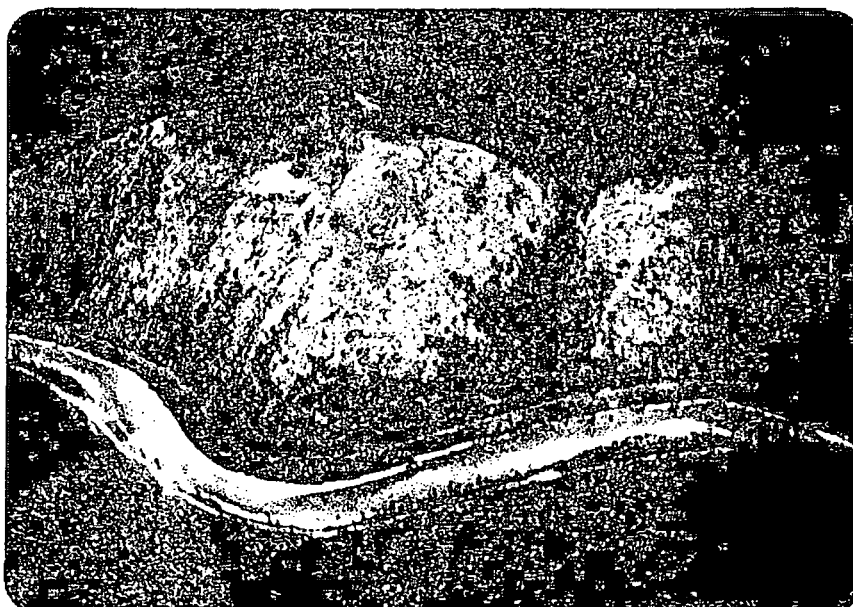
WESTERN APPRAISALS & SURVEYS

A DIVISION OF TERRACE SURVEYS, INC.

C., SUBJECT PHOTOGRAPHS (CONTINUED)

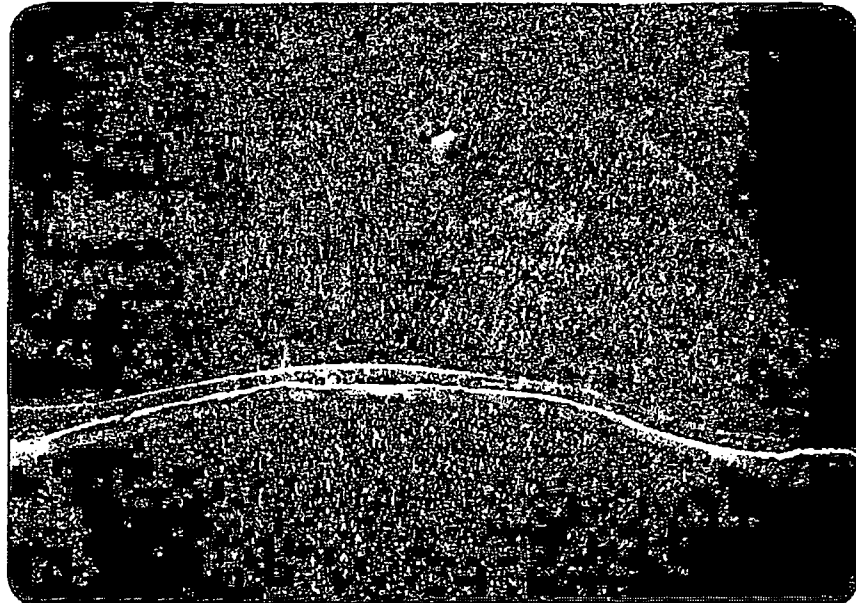


Photograph No. 21: Northerly view with Marble Creek entering the St. Joe River in lower central portion of photo.



Photograph No. 22: Northerly view of ROW area near Ally Gulch.

C., SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 23: Northerly view of area near Storm Creek.

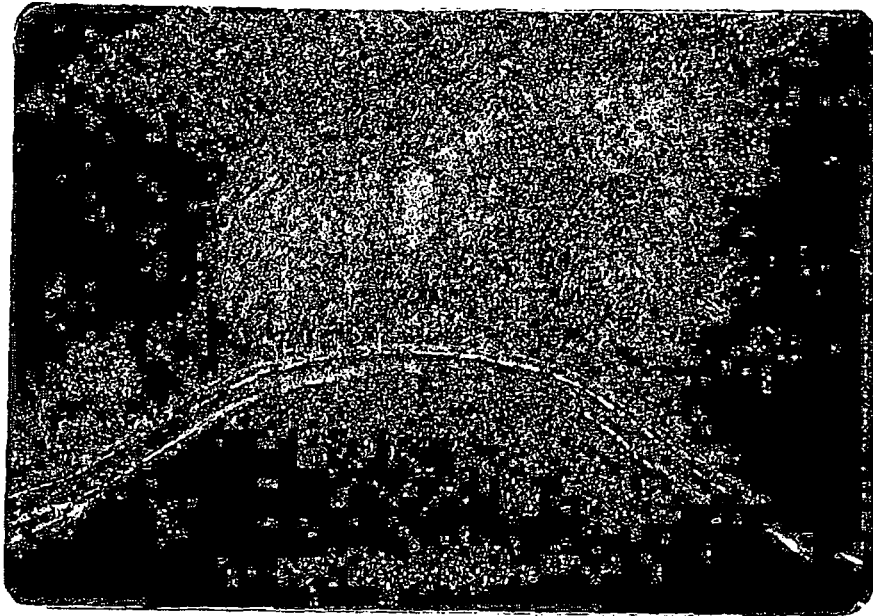


Photograph No. 24: Northerly view of St. Joe River Valley with railroad ROW on the north side of the river with Setzer Creek on the upper right and Fisher Creek on the lower right.

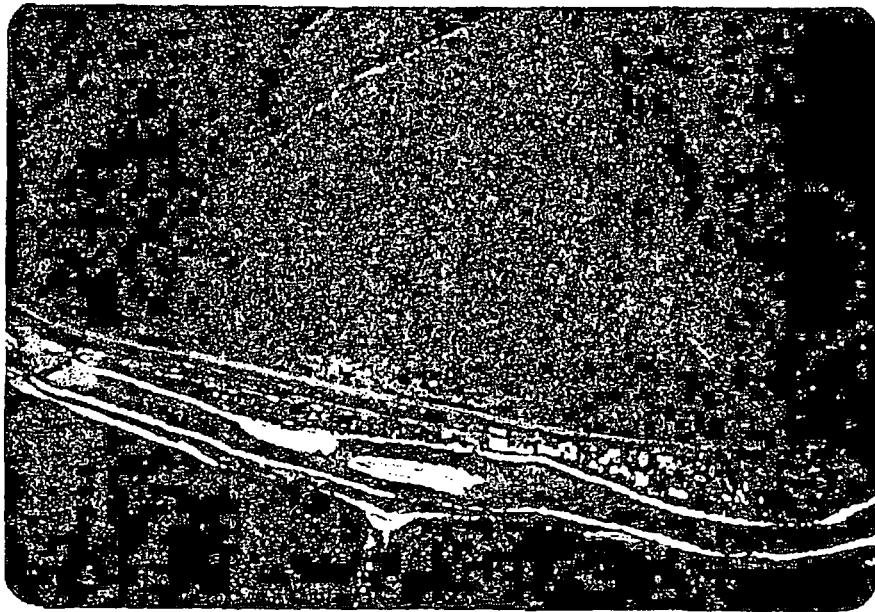
WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 25: Northerly view with Setzer Creek on the left.

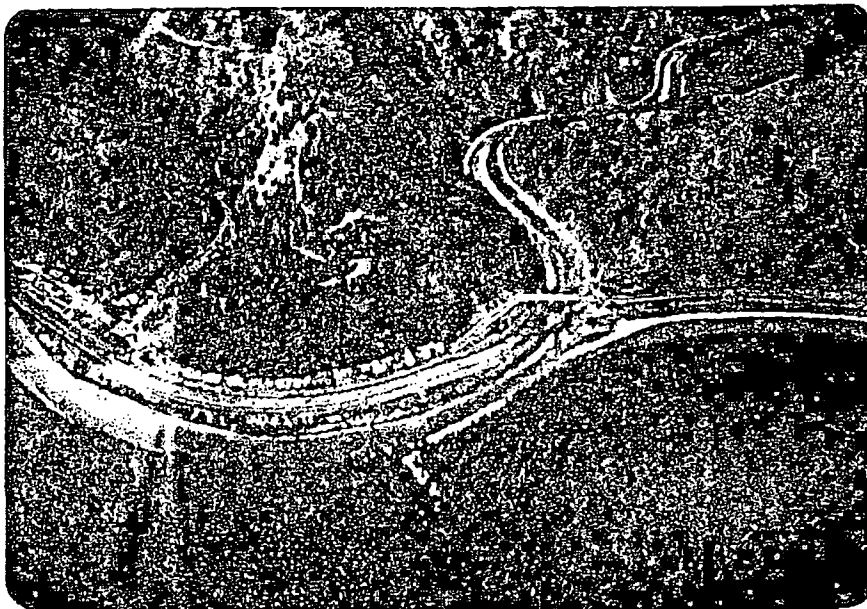


Photograph No. 26: Northerly view with the Avery West Landing to the Round House Section shown.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



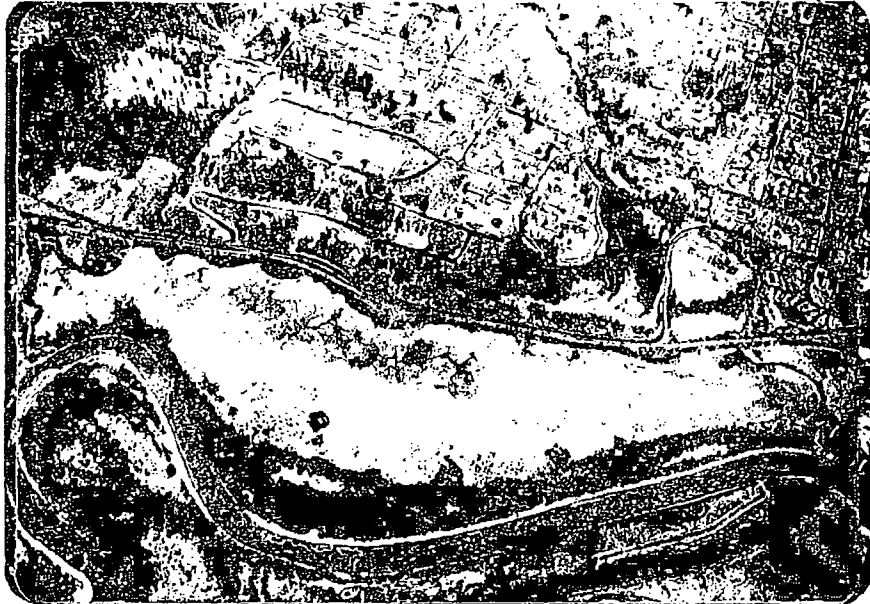
Photograph No. 27: Northerly view with Avery on the left and the St. Joe River North Fork shown in the central right portion of the photo. The subject trackage ends just past the highway bridge at the North Fork. The railroad bridge across the mainline shown below the highway bridge and the East Avery Landing are property of the U.S. Forest Service.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)

ST. MARIES BRANCH LINE LOW-LEVEL AERIAL PHOTOGRAPHS



Photograph No. B-1: Southwest view of east edge of city of St. Maries and St. Maries River Valley at beginning of branch line near right side of photo.



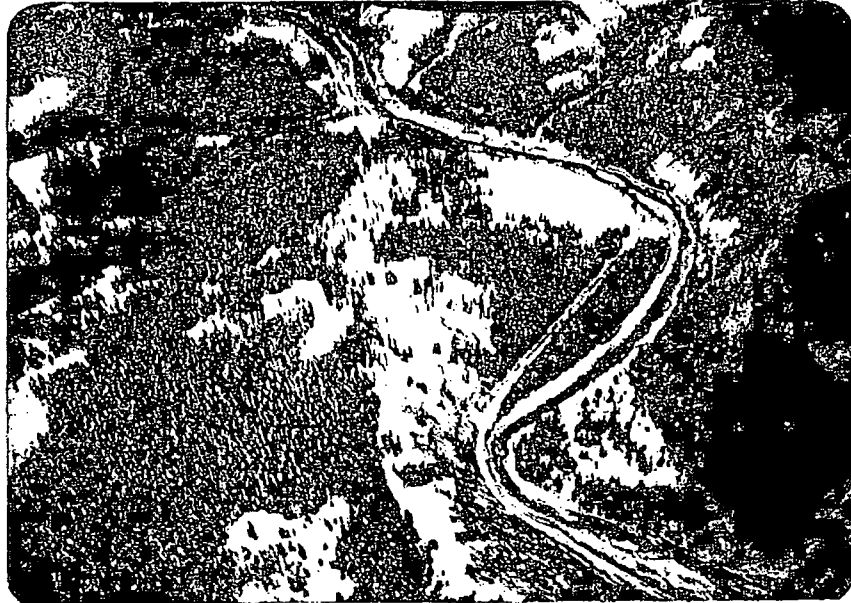
Photograph No. B-2: Westerly view of railroad bridge near mouth of Johns Creek.

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WESTERN APPRAISALS & SURVEYS

A PROFESSIONAL APPRAISAL FIRM

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-3: Southeasterly view of the railroad ROW
near the mouth of Flats Creek.

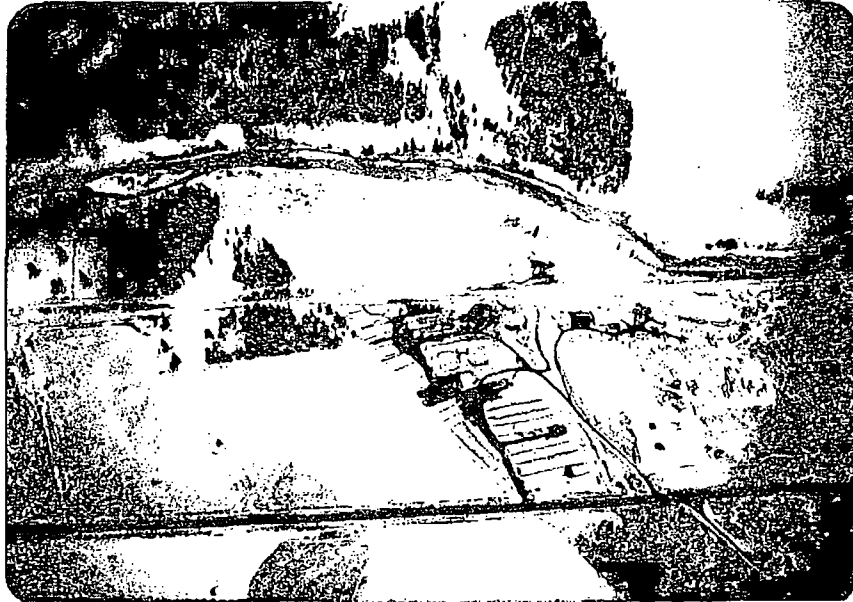


Photograph No. B-4: Southerly view of the railroad ROW in the
St. Maries River between Flats Creek and Mashburn.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-5: Southwest view of the Potlatch Cedar Products Plant near Santa. The railroad ROW is from right to left in central portion of photo.



Photograph No. B-6: Southeasterly view of railroad ROW closest to the river between Tyson Creek and Fernwood.

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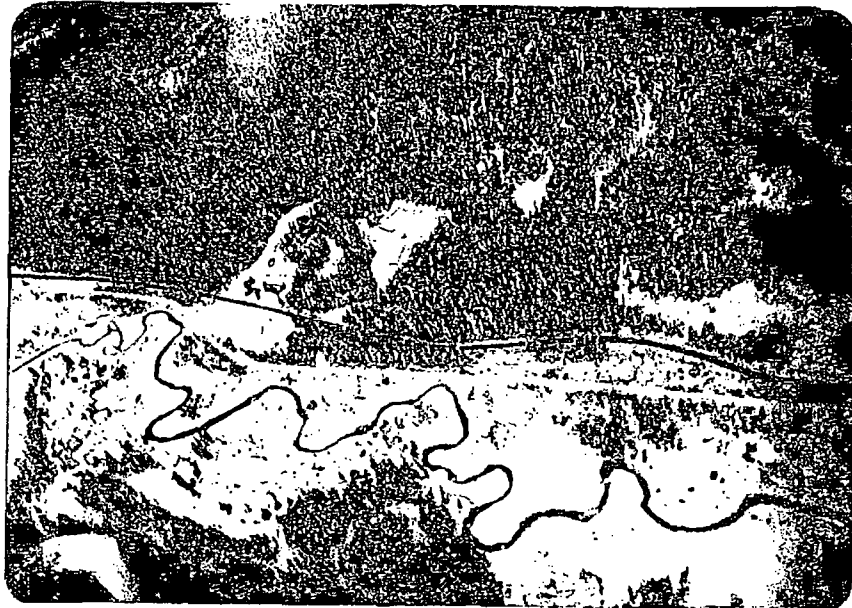
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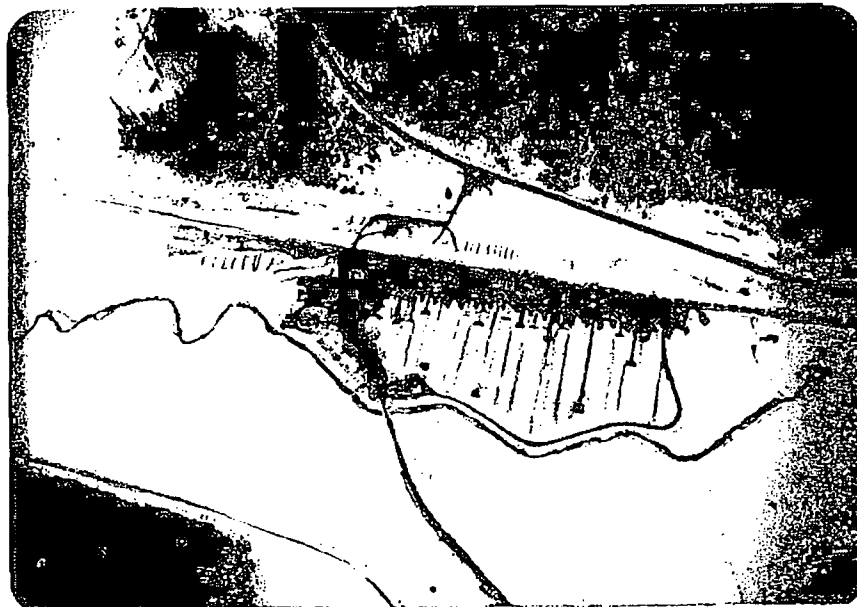
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-7: Southeasterly view of subject ROW between St. Maries River and highway with the Clarkia Ranger Station shown in central portion of photo.

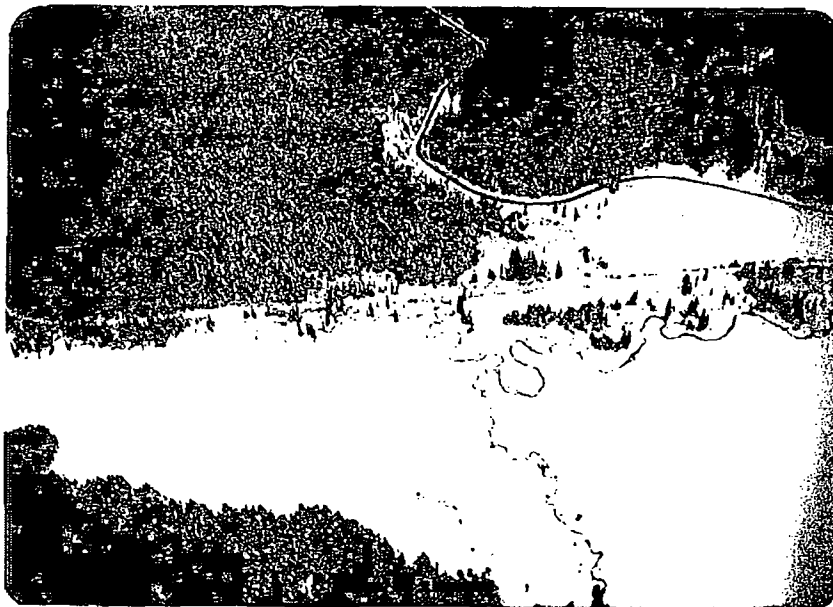


Photograph No. B-8: Westerly view of the Clarkia log loading landing.

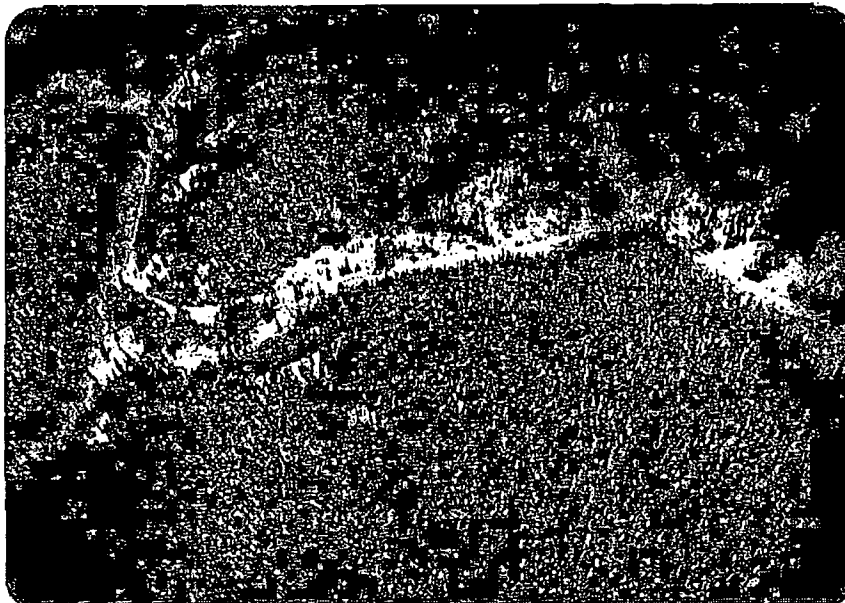
WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-9: Westerly view at south end of Clarkia Meadow
with the railroad ROW below the highway across the photo.

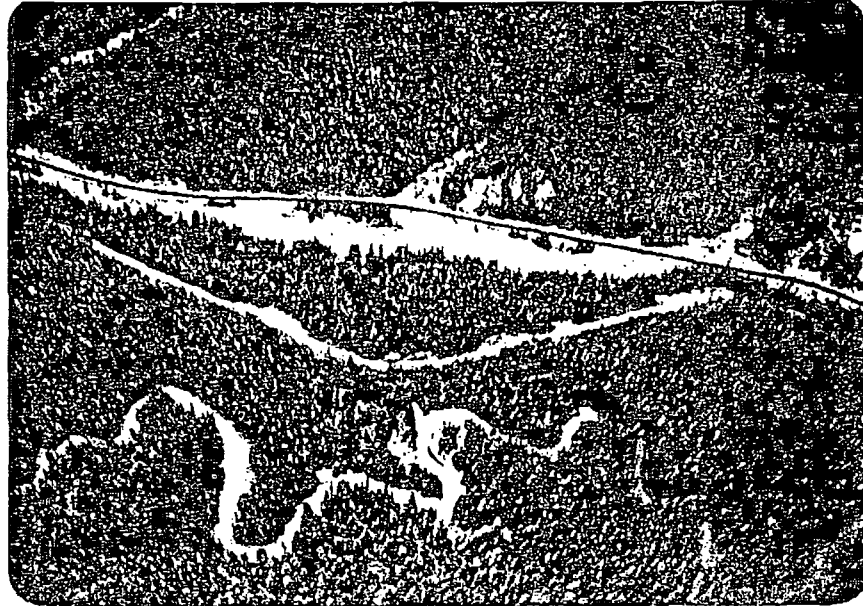


Photograph No. B-10: Easterly view of ROW in the Keeler area.

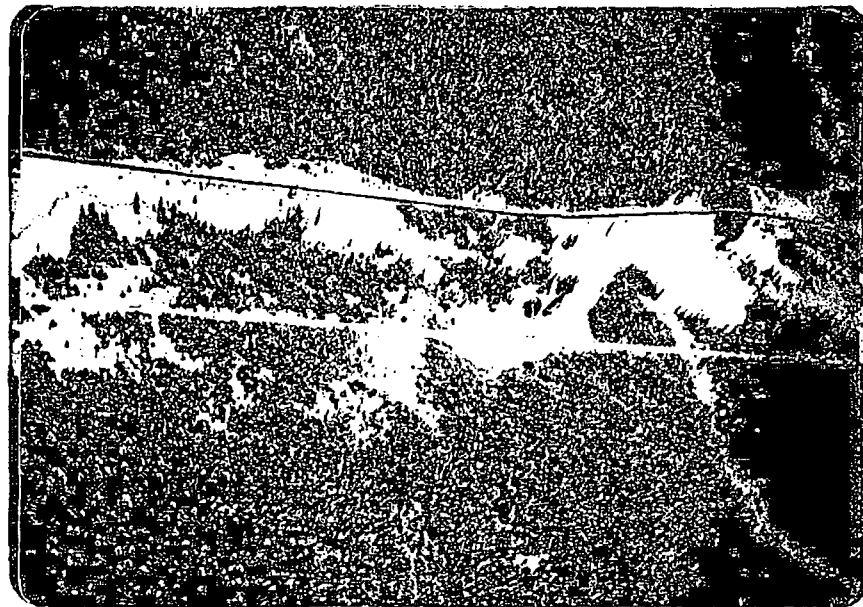
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-11: Northwesterly view of the Sherwin Hill with railroad ROW between logging access road and highway.

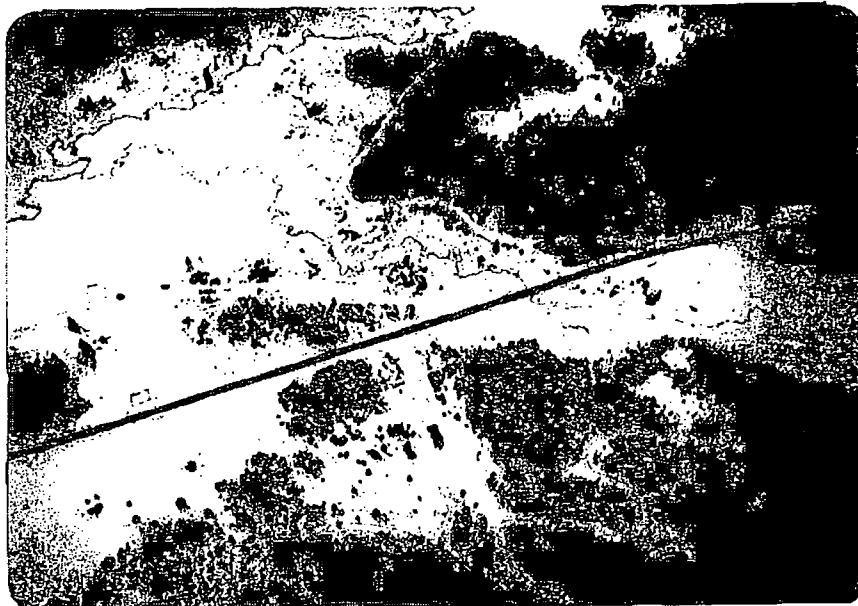


Photograph No. B-12: Northwesterly view of the railroad ROW below highway, just northeast of Potlatch River.

WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-13: Northwestern view of railroad and highway crossing near Potlatch River, just north of Purdue Station.



Photograph No. B-14: Westerly view of Bovill.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)

MAINLINE TIMBER CRUISE GROUND PHOTOGRAPHS



Photograph No. 1: Easterly view between Plummer and Plummer Station at mainline. Timber Cruise Sample No. 1 location.



Photograph No. 2: Easterly view near Pedee at Timber Cruise Sample No. 3 location.

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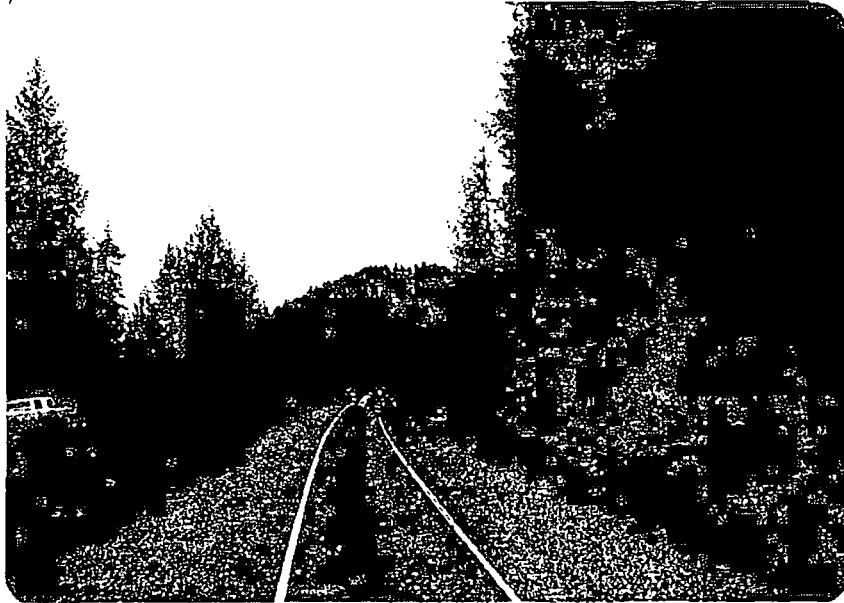
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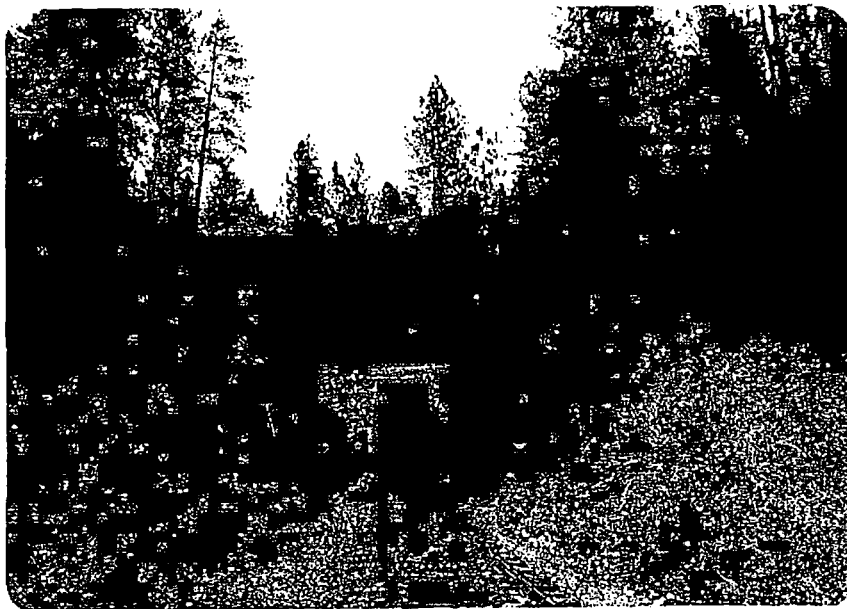
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 3: Easterly view at Timber Cruise Sample No. 5 location.



Photograph No. 4: Northeasterly view of west end of Benewah Lake tunnel at Timber Cruise Sample No. 7 location.

WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 5: Easterly view between Ramsdell and St. Maries
at Timber Cruise Sample No. 9 location.

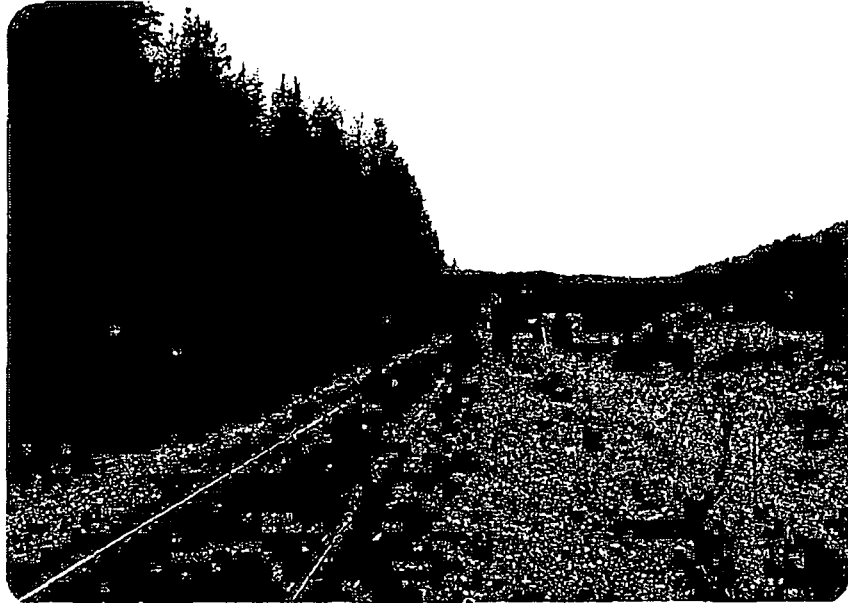


Photograph No. 6: Westerly view just west of St. Maries at Tim-
ber Cruise Sample No. 11 location.

WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 7: Westerly view at Timber Cruise Sample No. 13 location between Allens Gulch and Mercury Creek, below St. Joe city.



Photograph No. 8: Easterly view at Timber Cruise Sample No. 15 location just east of St. Joe city.

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. 9: Westerly view at Timber Cruise Sample No. 16 location near Trout Creek, west of Calder.



Photograph No. 10: Westerly view at Timber Cruise Sample No. 17 location just west of Herrick.

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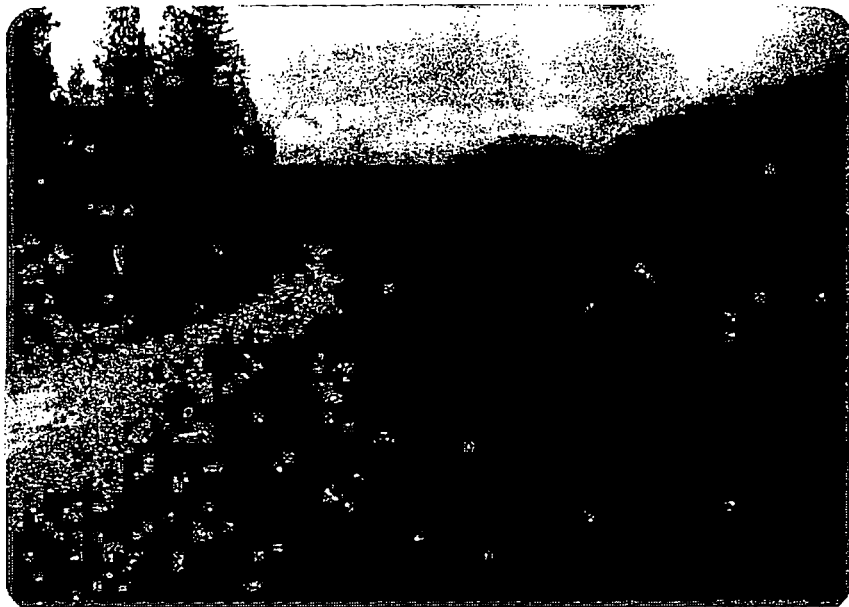
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C. SUBJECT PHOTOGRAPHS (CONTINUED)

ST. MARIES BRANCH LINE TIMBER CRUISE GROUND PHOTOGRAPHS



Photograph No. B-1: Northeasterly view of St. Maries branch line Timber Cruise Sample No. 1 location.



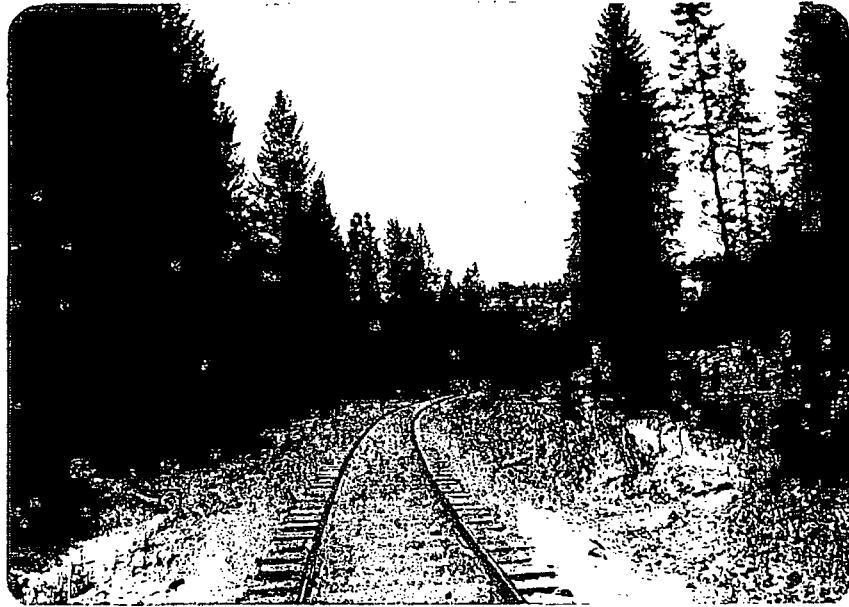
Photograph No. B-2: Easterly view from county road along adjacent overlapping ROW's at Timber Sample No. 2 location.

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WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-3: Northwesterly view along tracks near Mash-burn at Timber Cruise Sample No. 5 location.



Photograph No. B-4: Northwesterly view along ROW at Timber Cruise Sample No. 7 location, near Fernwood.

WESTERN APPRAISALS & SURVEYS

Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-5: Northwesterly view along ROW at Timber Cruise Sample No. 9 location at Jims Spur.



Photograph No. B-6: Southeasterly view at Timber Cruise Sample No. 9 location south of Clarkia.

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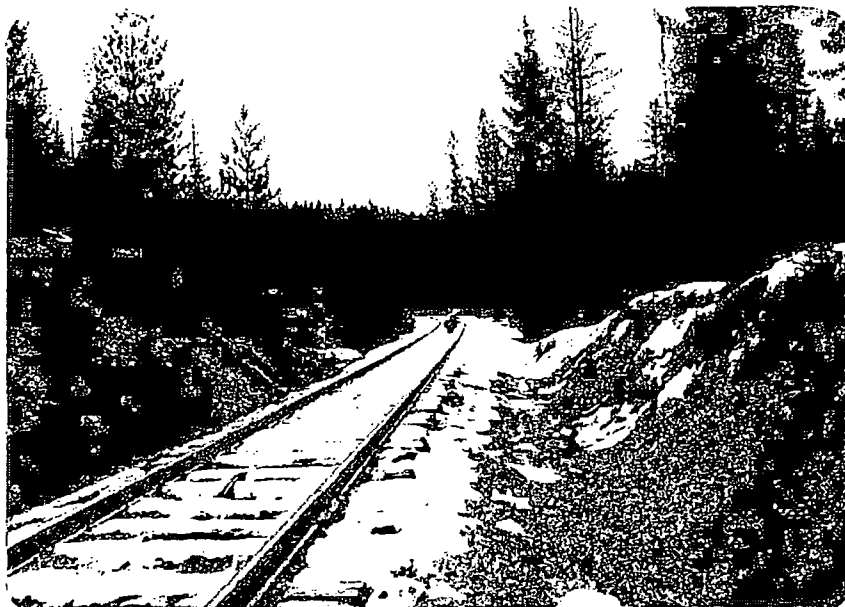
WESTERN APPRAISALS & SURVEYS

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C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-7: Northeasterly view along ROW at Timber Cruise Sample No. 12 location at Keeler.



Photograph No. B-8: Easterly view along ROW west of Keeler.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. SUBJECT PHOTOGRAPHS (CONTINUED)



Photograph No. B-9: Easterly view at Timber Cruise Sample No. 14 location at Sherwin.



Photograph No. B-10: Easterly view along ROW at Timber Cruise Sample No. 16 location on the southwest side of Sherwin Hill, north of Bovill.

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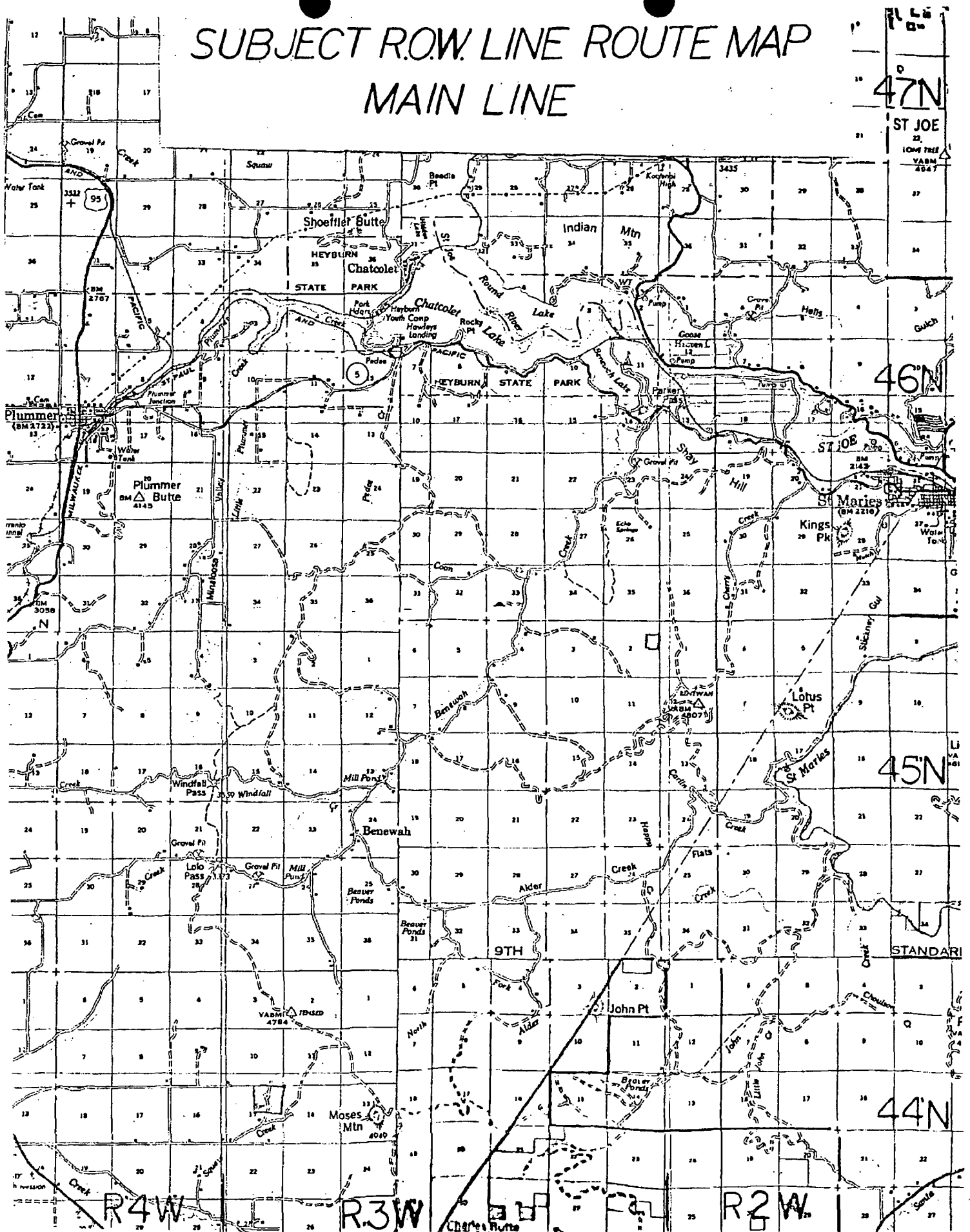
D. SUBJECT MAPS

The maps included in the subject maps section include route maps, aerial photography maps, public land maps and land classification maps. The actual right of way maps and tract maps, Idaho Division Mainline V. IDA, pages 1 and 2 and 3 through 18, and St. Maries Branch V. IDA-3, pages 1 through 13, have been used for ownerships and acreages. These maps were available in only one copy and have been shared with Potlatch Corporation management, as well as title companies. An inferior quality copy of these maps has been obtained through the Milwaukee Railroad facility in Tacoma, Washington. The inferior copy will be kept by Western Appraisals while the original maps will be turned over with this report to Potlatch Corporation officials.

Please see the maps on the following pages.

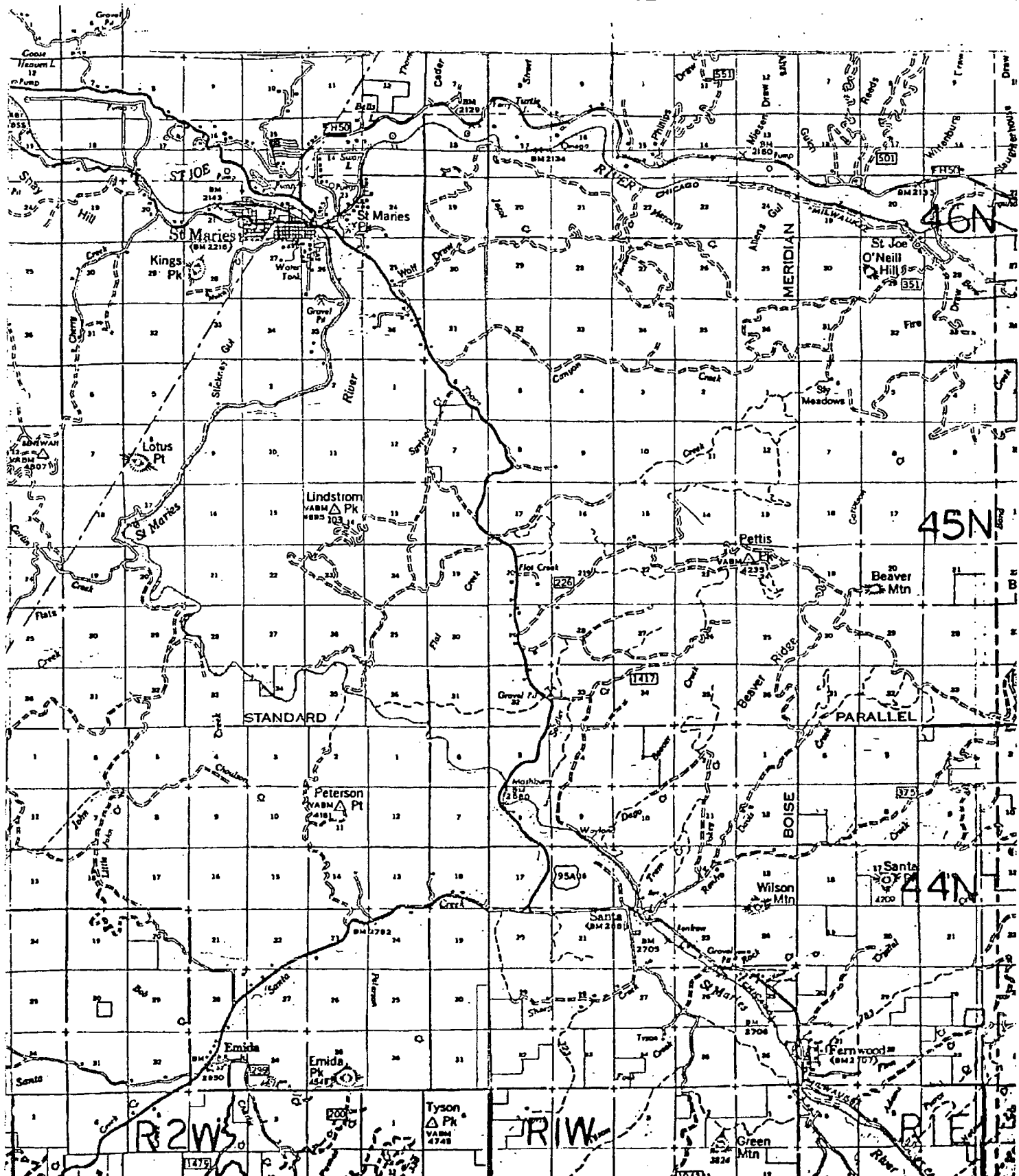
SUBJECT R.O.W. LINE ROUTE MAP

MAIN LINE



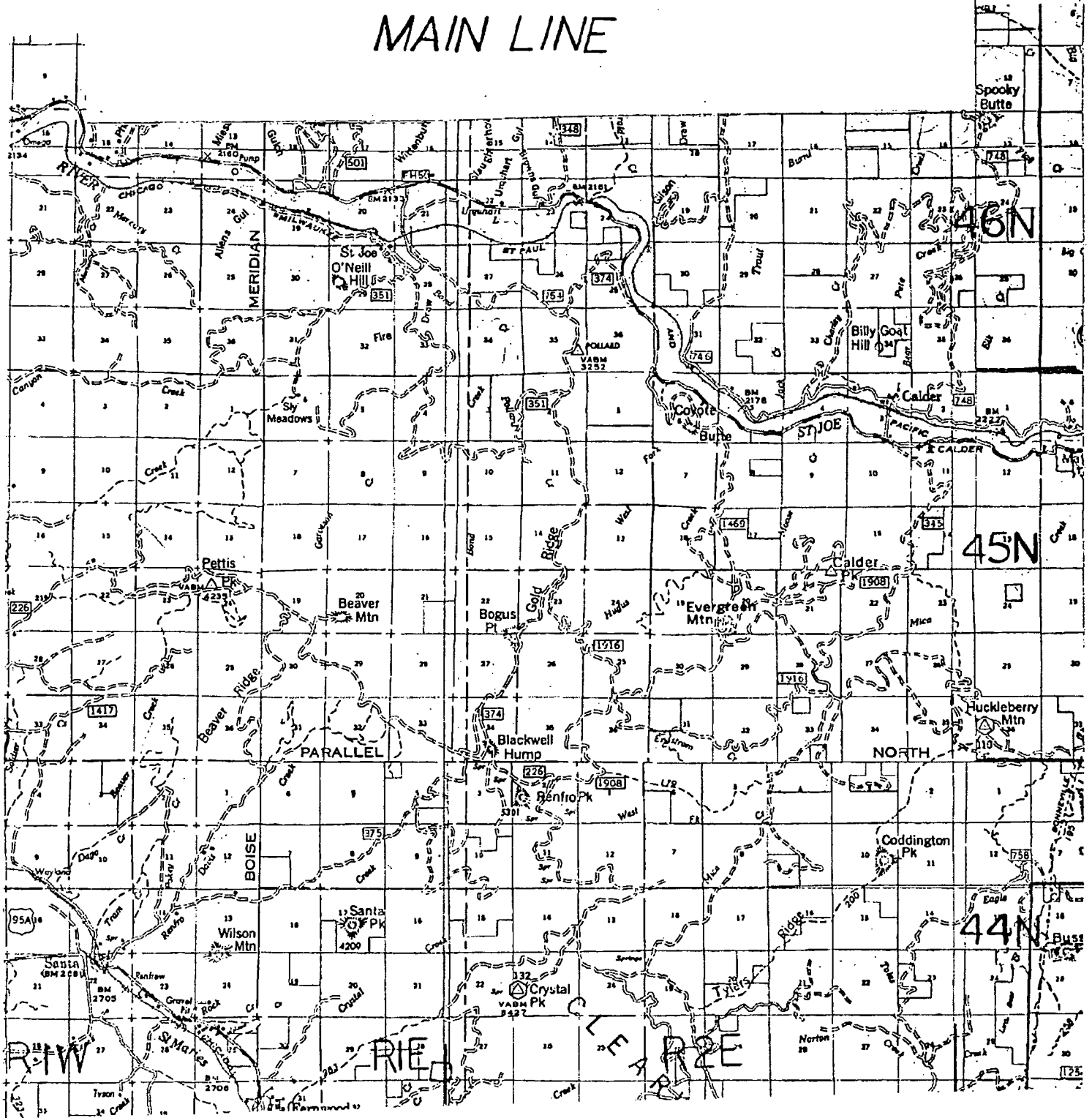
SUBJECT R.O.W. LINE ROUTE MAP

MAIN LINE



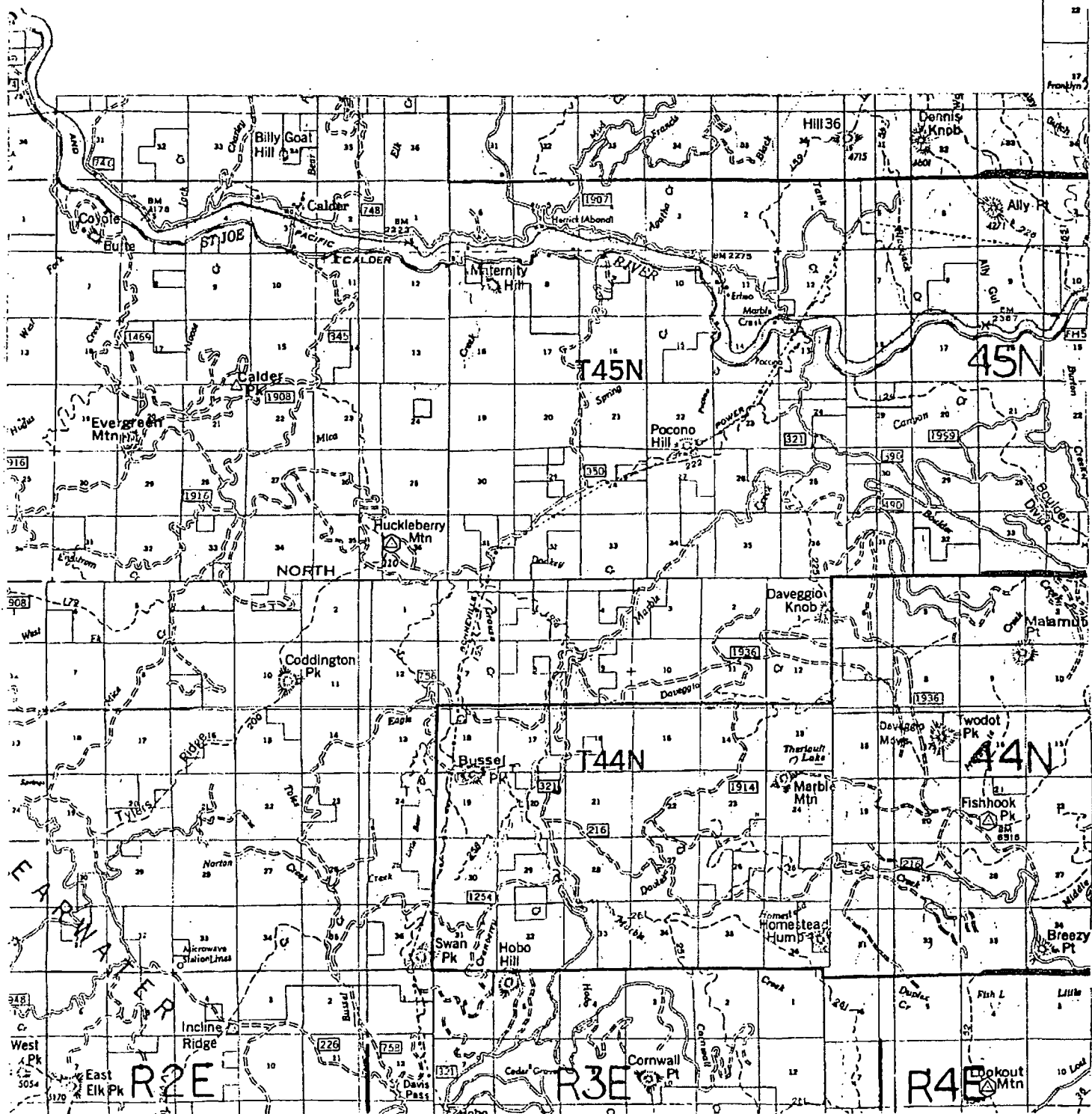
SUBJECT R.O.W. LINE ROUTE MAP

MAIN LINE



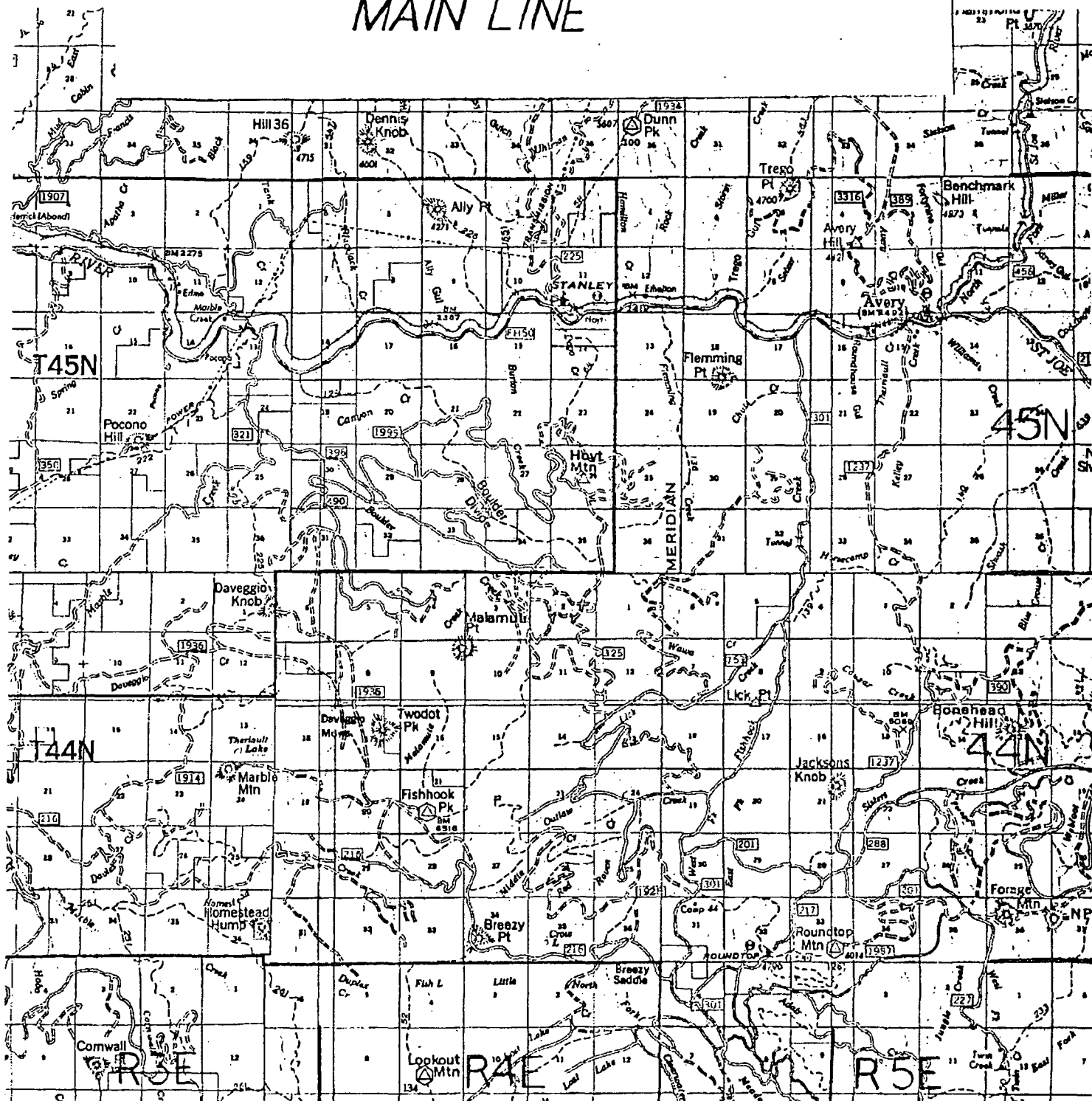
SUBJECT ROW LINE ROUTE MAP

MAIN LINE



SUBJECT R.O.W. LINE ROUTE MAP

MAIN LINE



SUBJECT R.O.W. LINE ROUTE MAP
BRANCH LINE

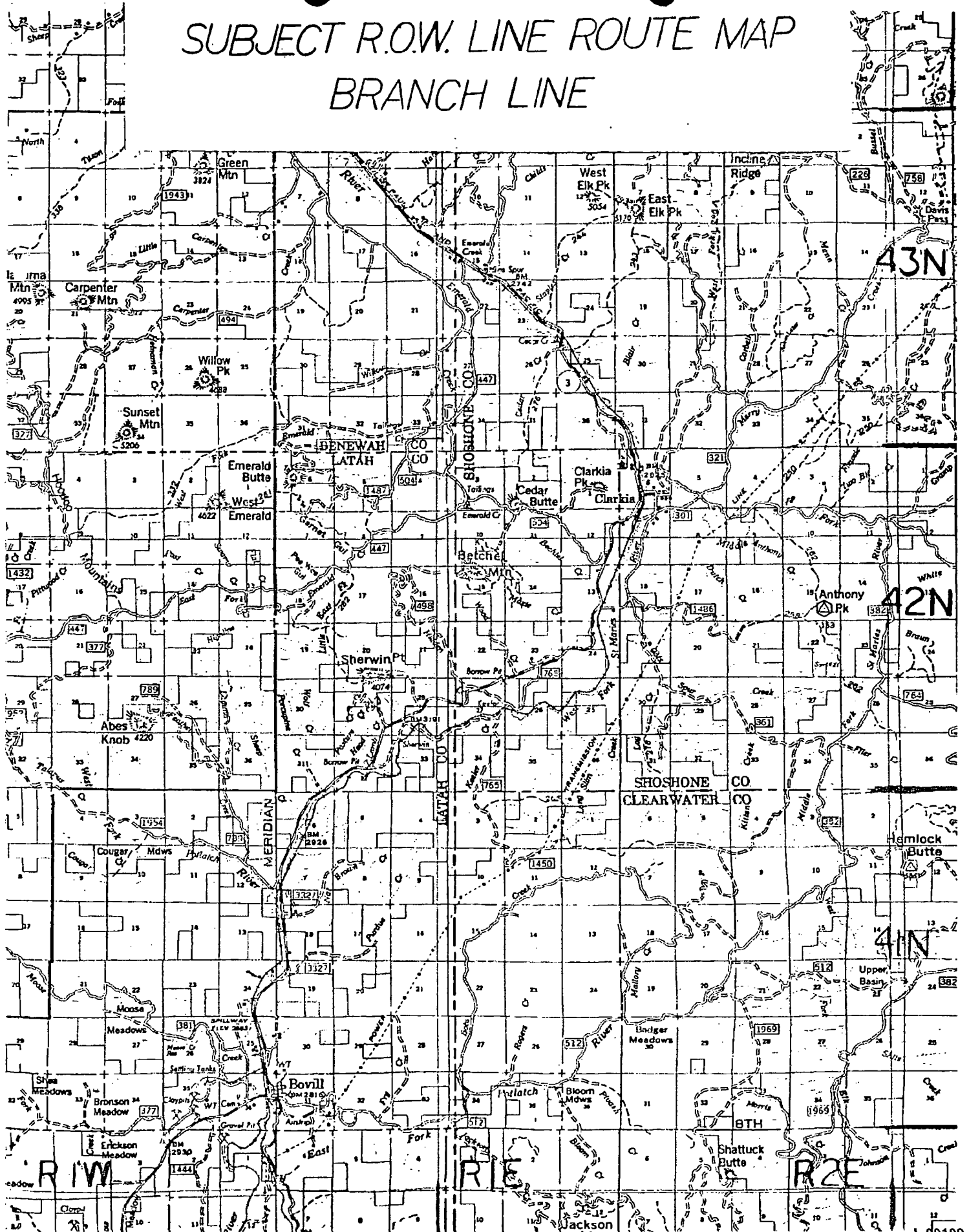
46N
45N
44N
43N

R2W R1E




ST JOE
St. Joe
Kings Pk
Lotus Pt
Lindstrom
Peterson
Emida
Tyson
Nakama
Green Mtn
Wilson Mtn
Beaver Mtn
Pettis
St. Joe O'Neill Hills
St. Joe Dam
Boise River
Sickney Gulch
Wolf
Canyon
Creek
Flats
Chautauque
Santa
Emida
Tyson
Nakama
Green Mtn
Wilson Mtn
Beaver Mtn
Pettis
St. Joe O'Neill Hills
St. Joe Dam

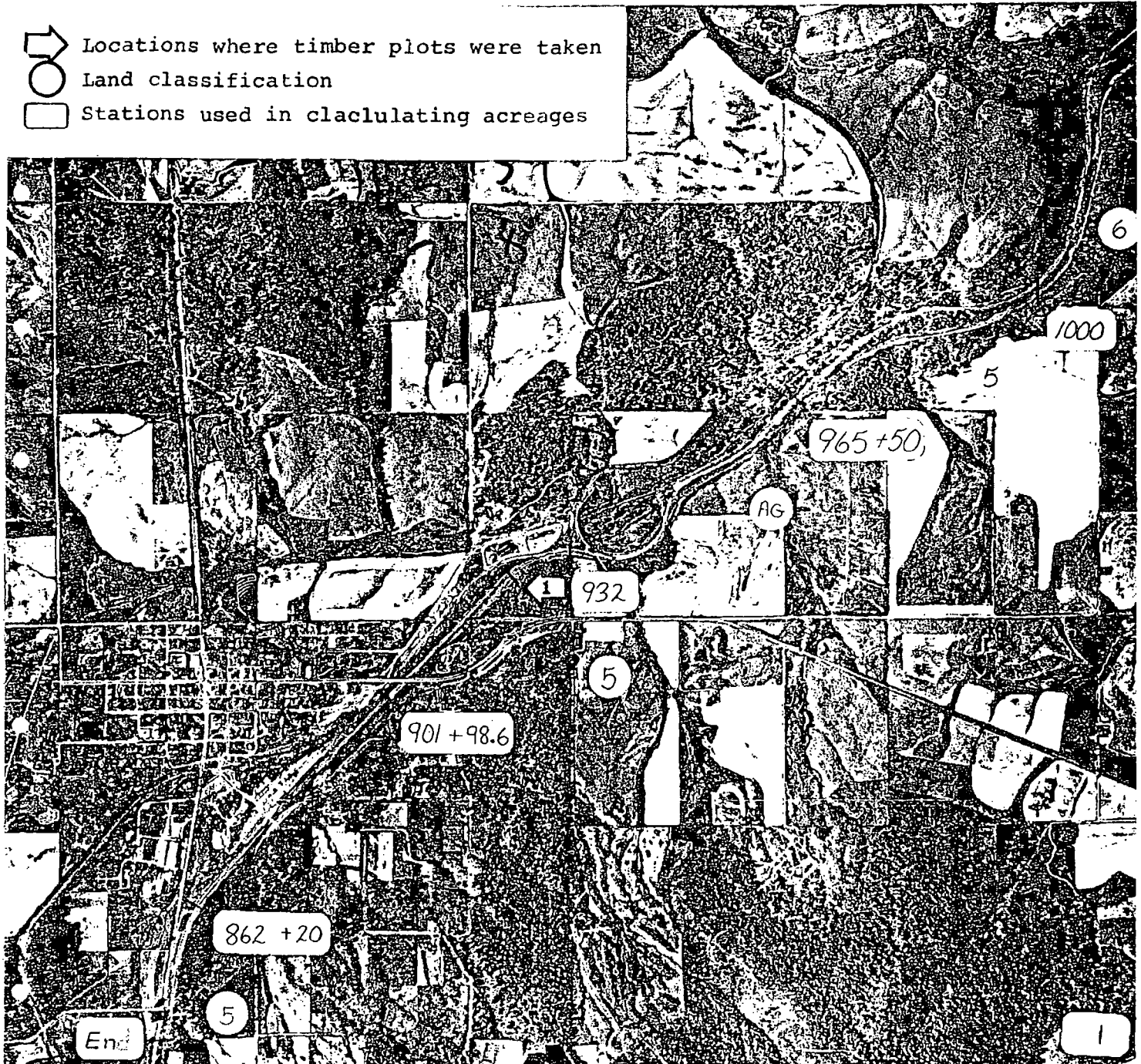
SUBJECT R.O.W. LINE ROUTE MAP

BRANCH LINE



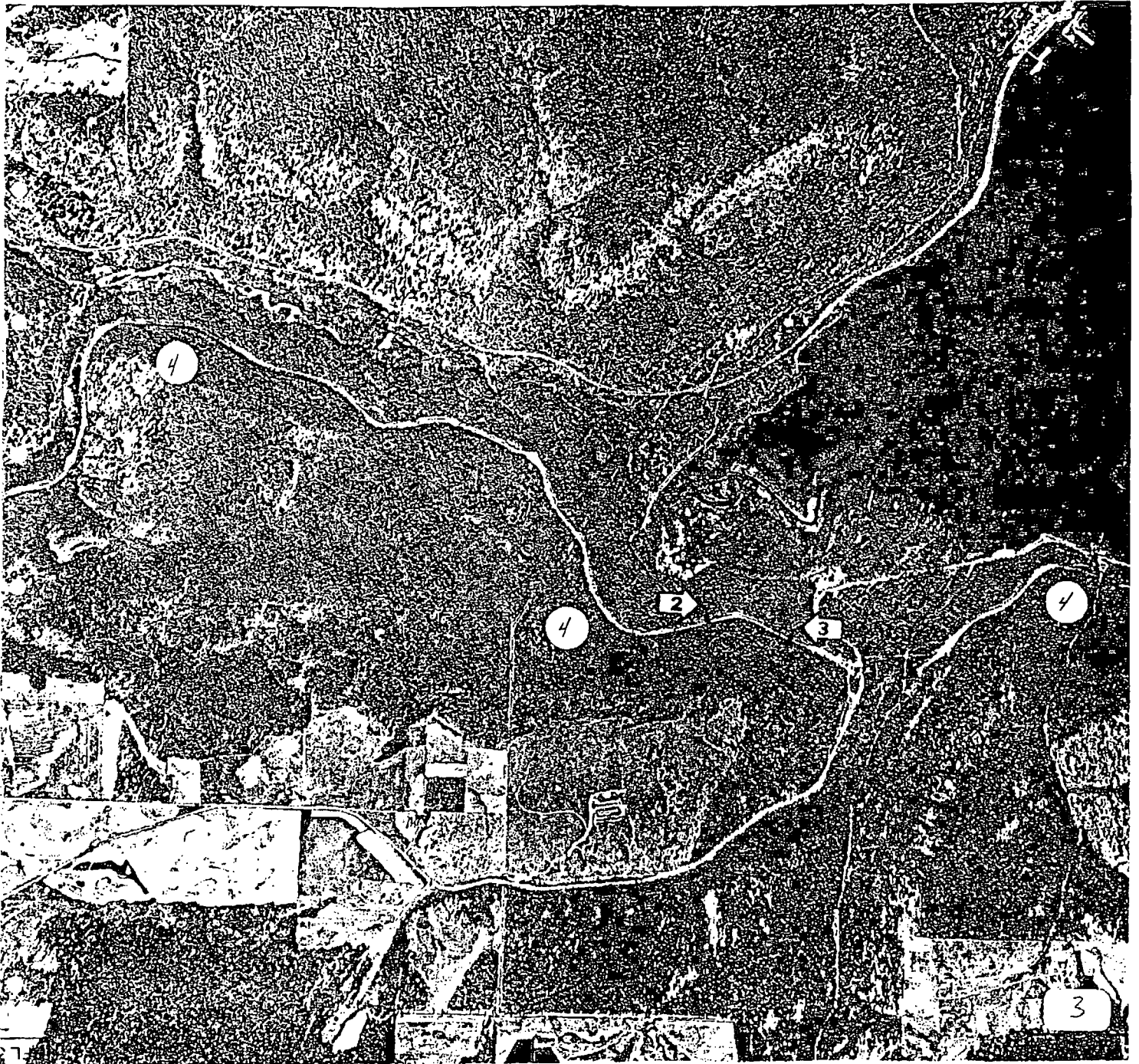
2. AERIAL PHOTOGRAPHS

-  Locations where timber plots were taken
 Land classification
 Stations used in calculating acreages

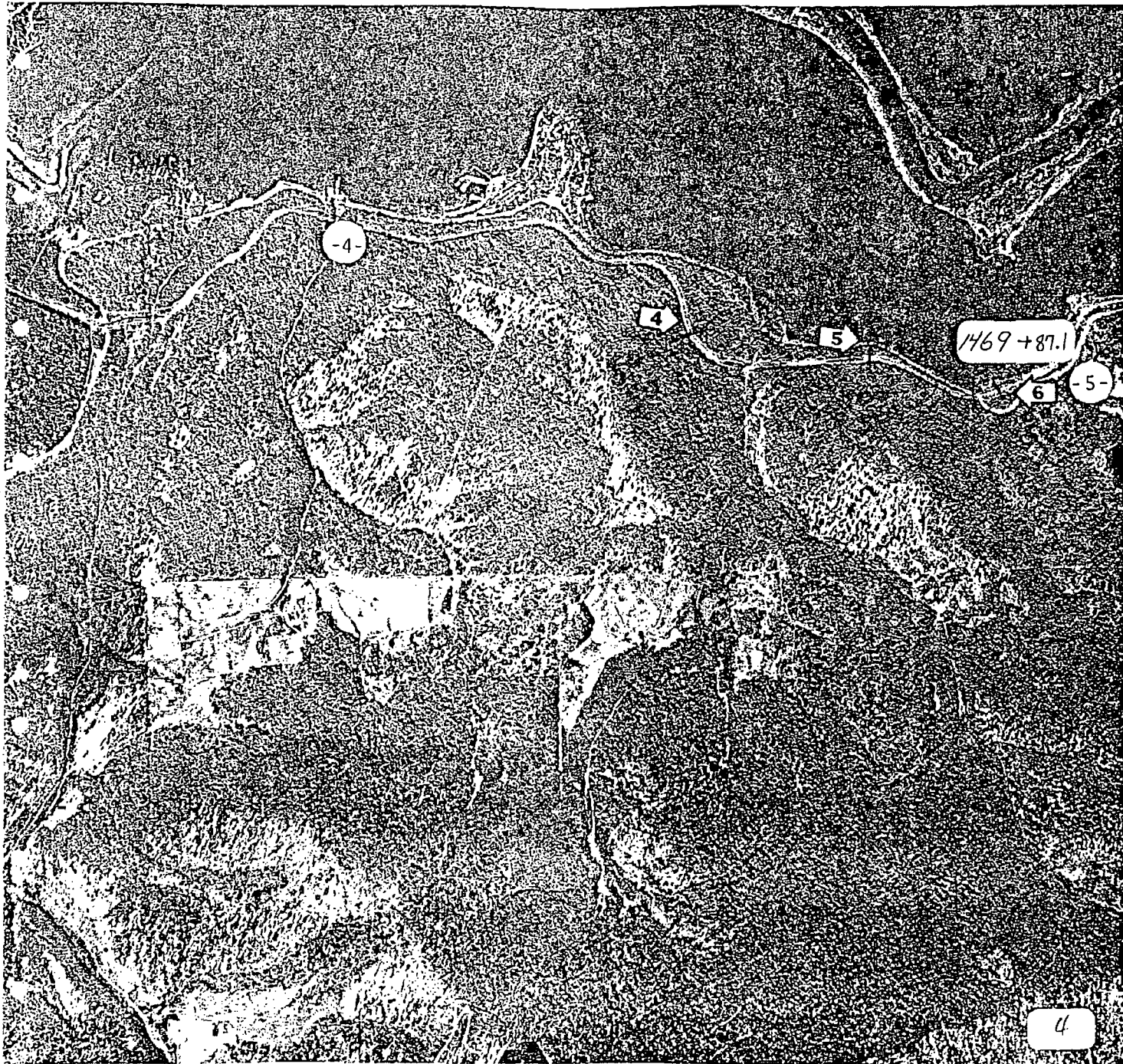


Station	848 + 81.4	to	862 + 20	3.073 Ac	T5 .31 Ac
Station	862 + 20	to	901 + 98.6	23.30 Ac	Industrial
Station	901 + 98.6	to	932 + 00	13.75 Ac	T5 1.38 Ac
Station	932 + 00	to	965 + 50	24.32 Ac	Agricultural
Station	965 + 50	to	1000 + 00	10.84 Ac	T5 1.62 Ac
Station	1000 + 00	to	1028 + 00	5.62 Ac	T6 5.62 Ac
Station	1028 + 00	to	1120 + 00	26.10 Ac	T4 6.26 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)

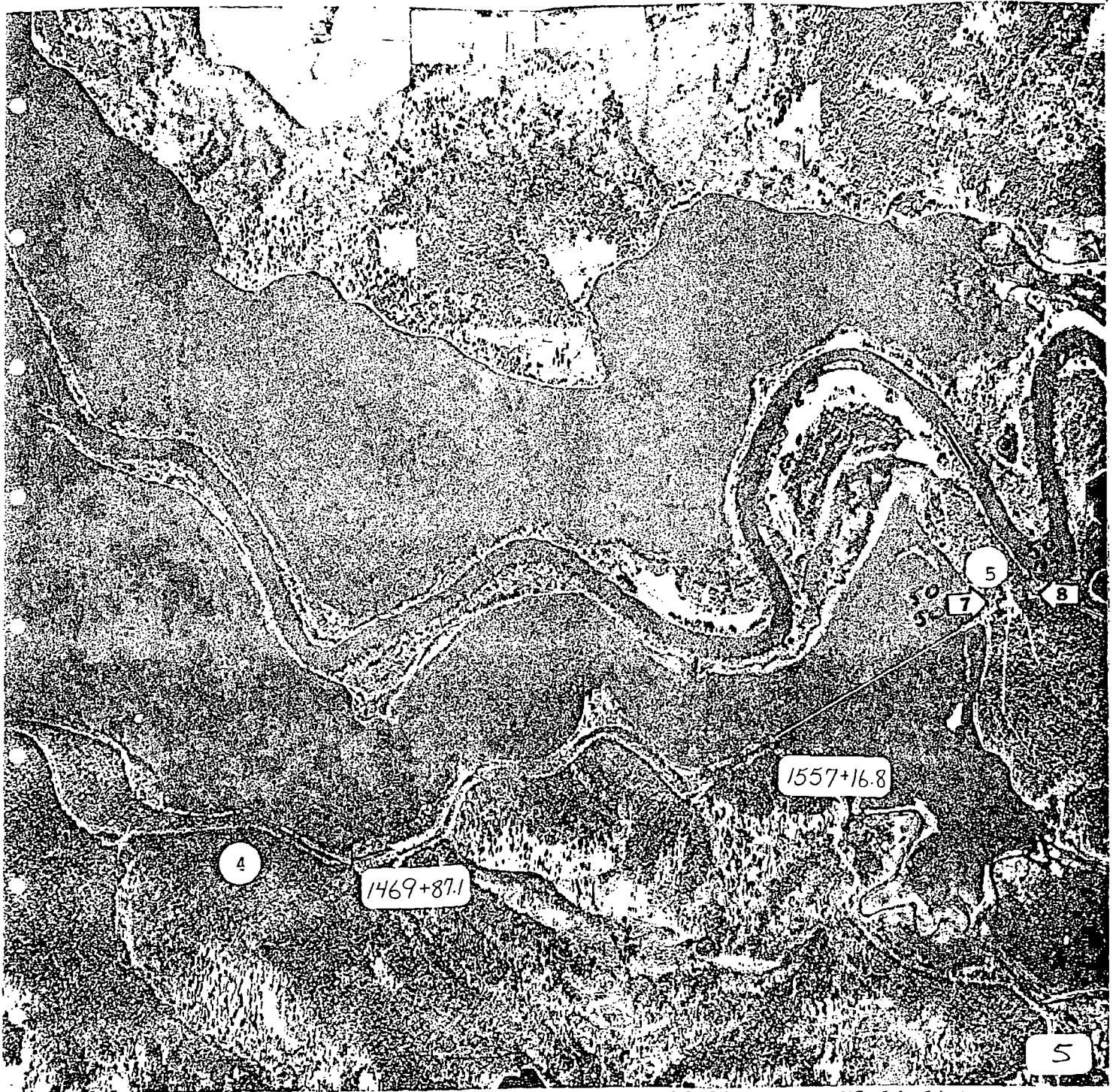


2. AERIAL PHOTOGRAPHS (CONTINUED)



MAIN LINE SHEET 4

2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1469 + 87 to 1557 + 16.8 26.90 Ac T5 14.64 Ac

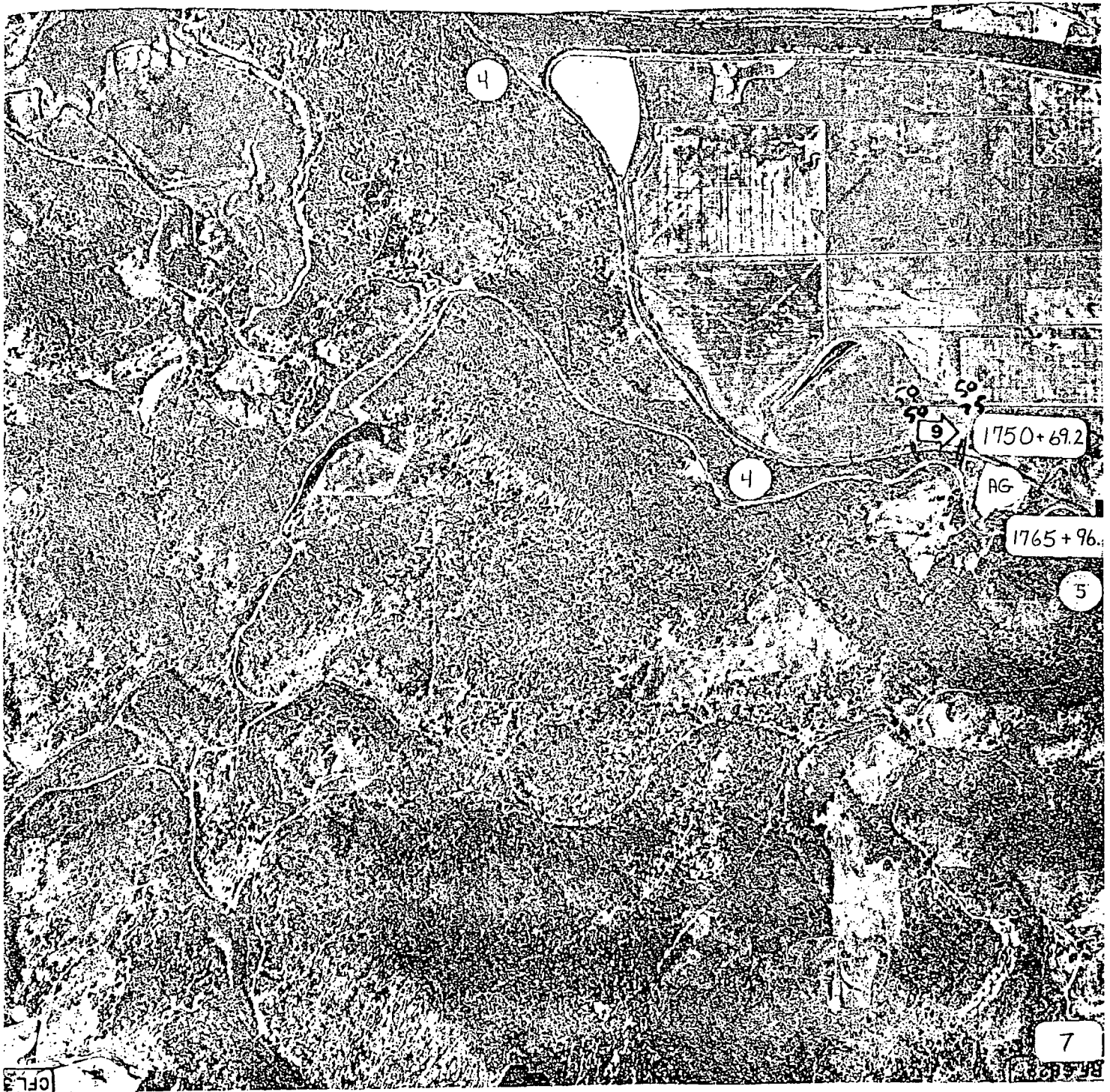
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1557 + 16.8	to	1590 + 00	30.08 Ac	Lake
Station 1590 + 00	to	1593 + 00	.69 Ac	T5 .44 Ac
Stack & Gibbs Spur			.88 Ac	Track

MAIN LINE SHEET 6

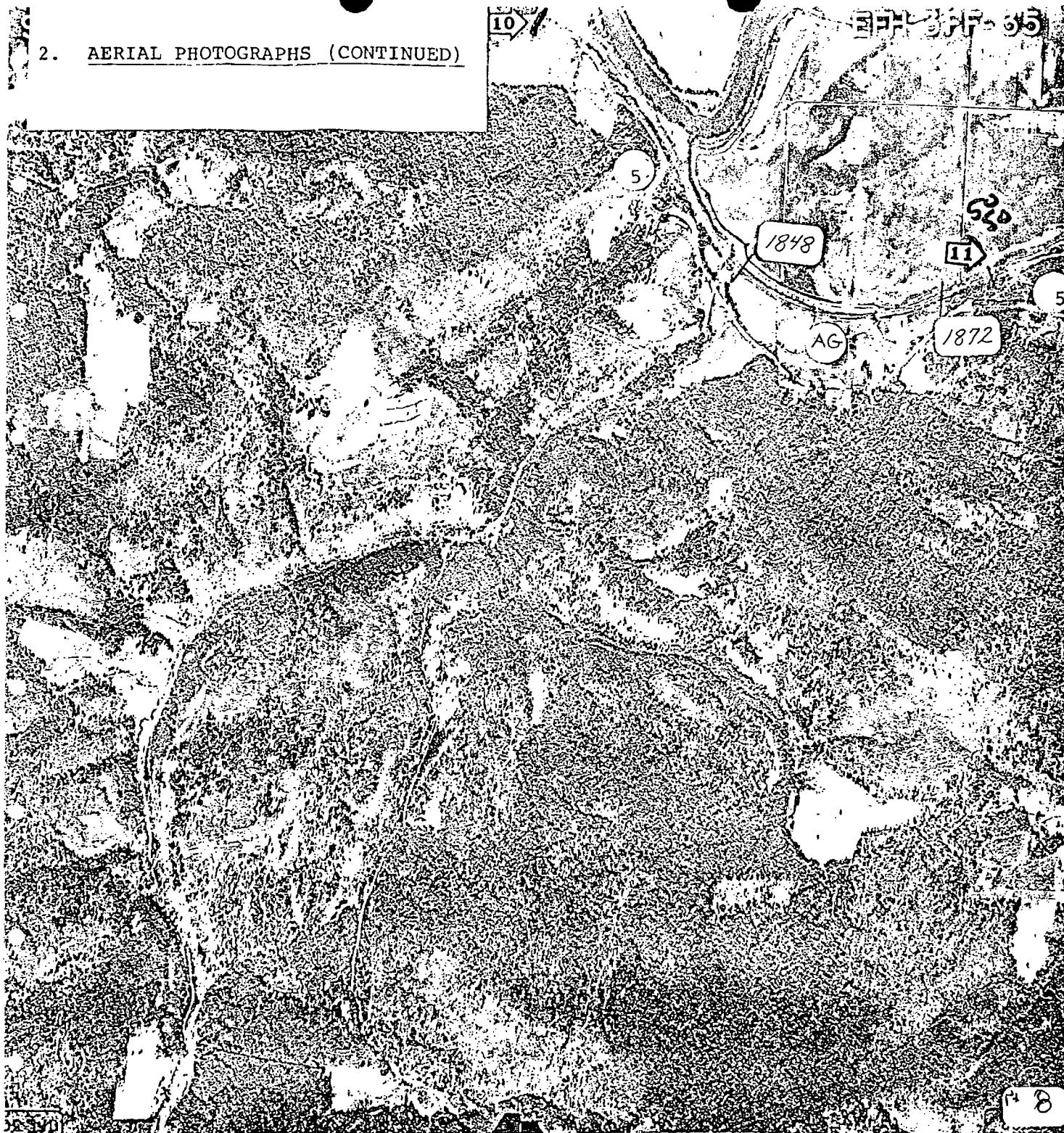
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1593 + 00	to	1750 + 69.2	42.19 Ac	T4 13.03 Ac
Station 1750 + 62.92		1765 + 96.2	3.50 Ac	Agriculture

MAIN LINE SHEET 7

2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1765 + 96.2	to	1848 + 00	30.97 Ac	T5 15.90 Ac
Station 1848 + 00	to	1872 + 00	8.49 Ac	Agriculture
Station 1872 + 00	to	1907 + 00	11.26 Ac	T5 4.78 Ac

MAIN LINE SHEET 8

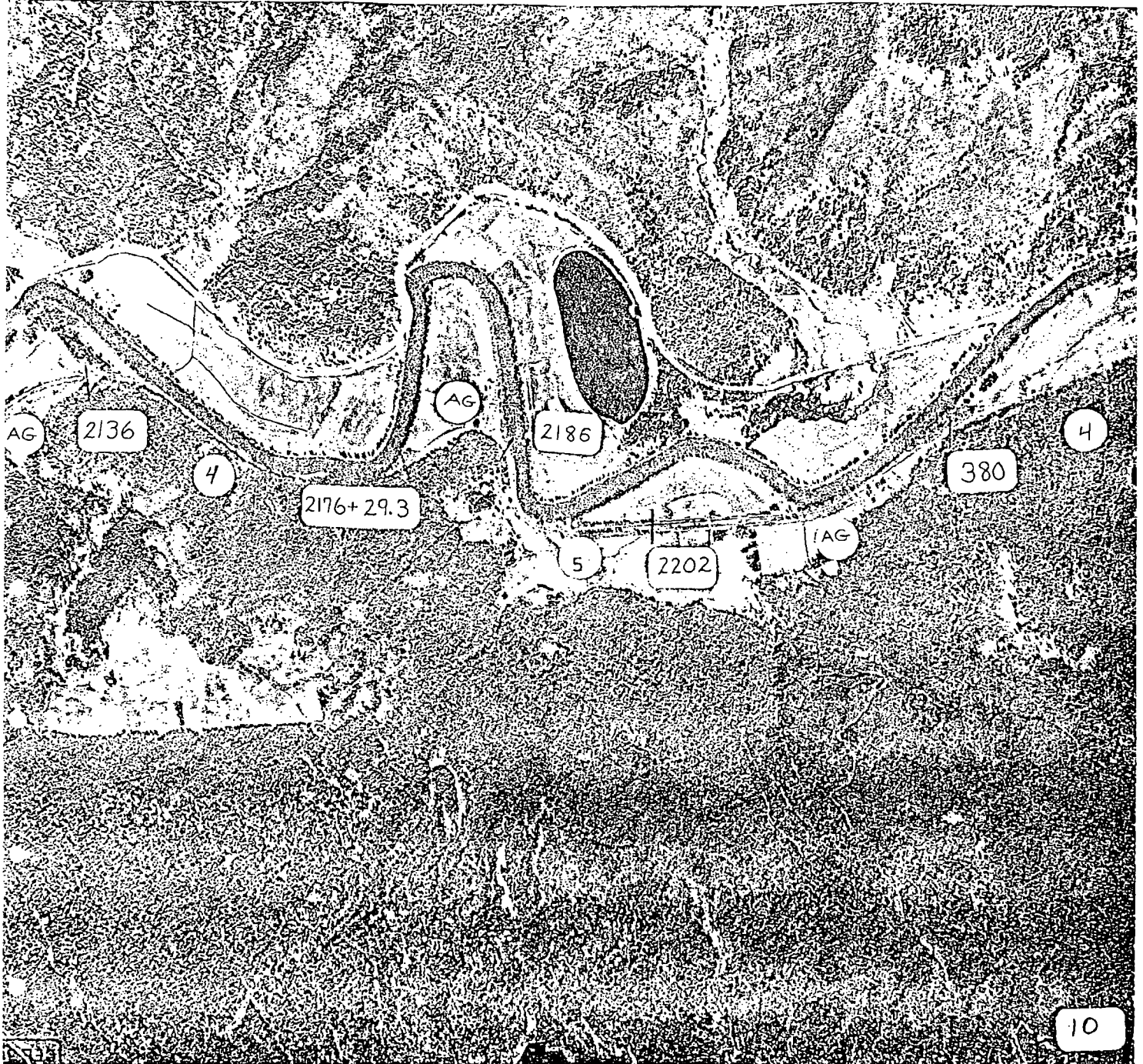
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1907 + 00	to	2004 + 00	39.77 Ac	Industrial
Spurs			3.02 Ac	Industrial
Station 2004 + 00	to	2077 + 60	30.06 Ac	Agricultural

MAIN LINE SHEET 9

2. AERIAL PHOTOGRAPHS (CONTINUED)



Tunnel Line	to	2191 + 18	1.354 Ac	T4 1.354 Ac
Station 2077 + 60	to	2106 + 00	18.36 Ac	T4 9.15 Ac
Station 2106 + 00	to	2136 + 00	13.77 Ac	Agriculture
Station 2136 + 00	to	2176 + 29.3	17.18 Ac	T4 6.97 Ac
Tunnel Line			2.27 Ac	T4 1.35 Ac
				.92 Agriculture
Station 2176 + 29.3	to	2186 + 00	2.13 Ac	Agriculture
Station 2186 + 00	to	2202 + 00	5.49 Ac	T5 2.32 Ac
Station 2202 + 00	to	380 + 00	25.01 Ac	Agriculture

2. AERIAL PHOTOGRAPHS (CONTINUED)



Tunnel Line at 385
Station 380 + 00

to

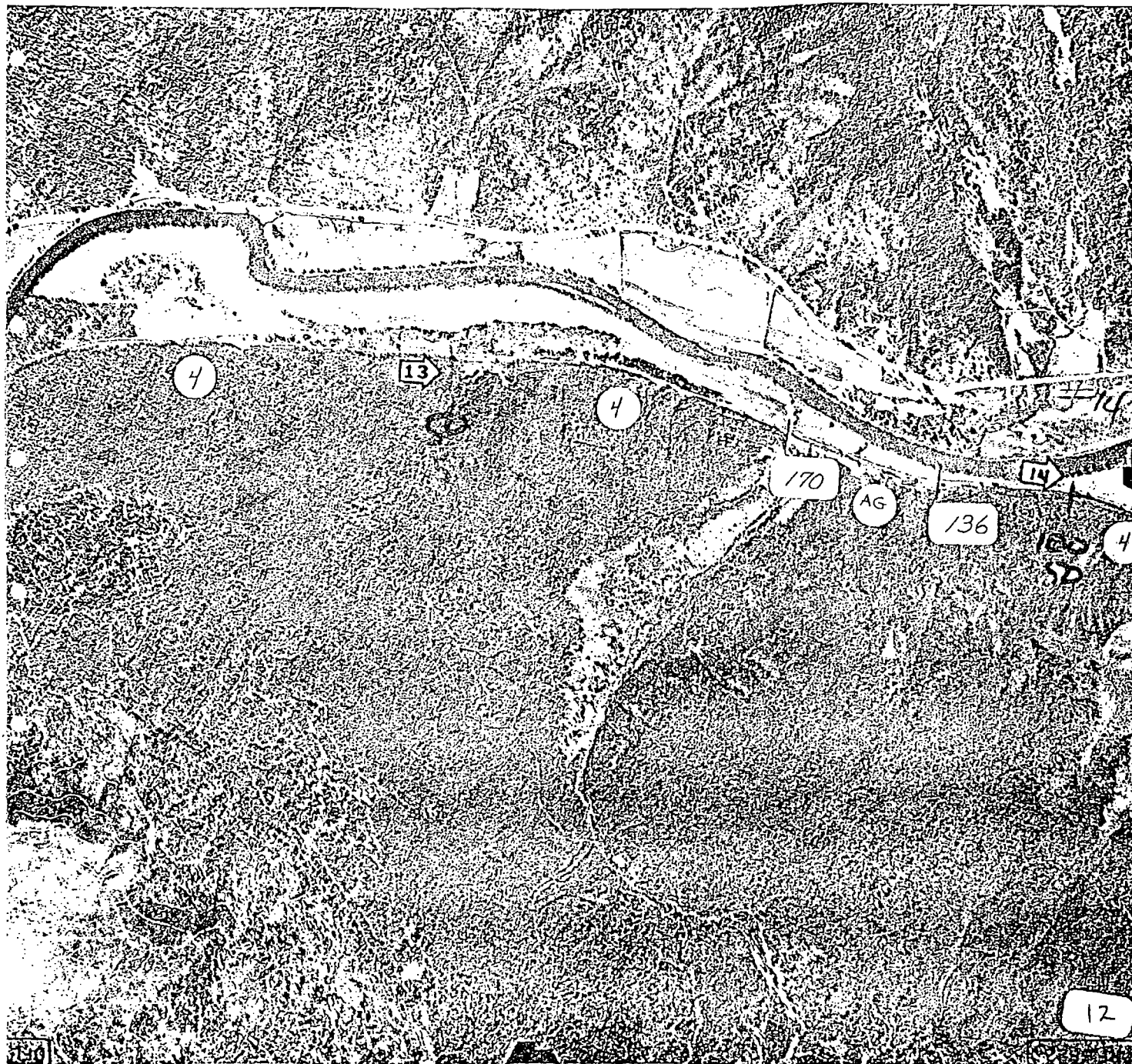
261 + 68.5

5.60 Ac
35.85 Ac

T3 5.60 Ac
T4 14.12 Ac

MAIN LINE SHEET 11

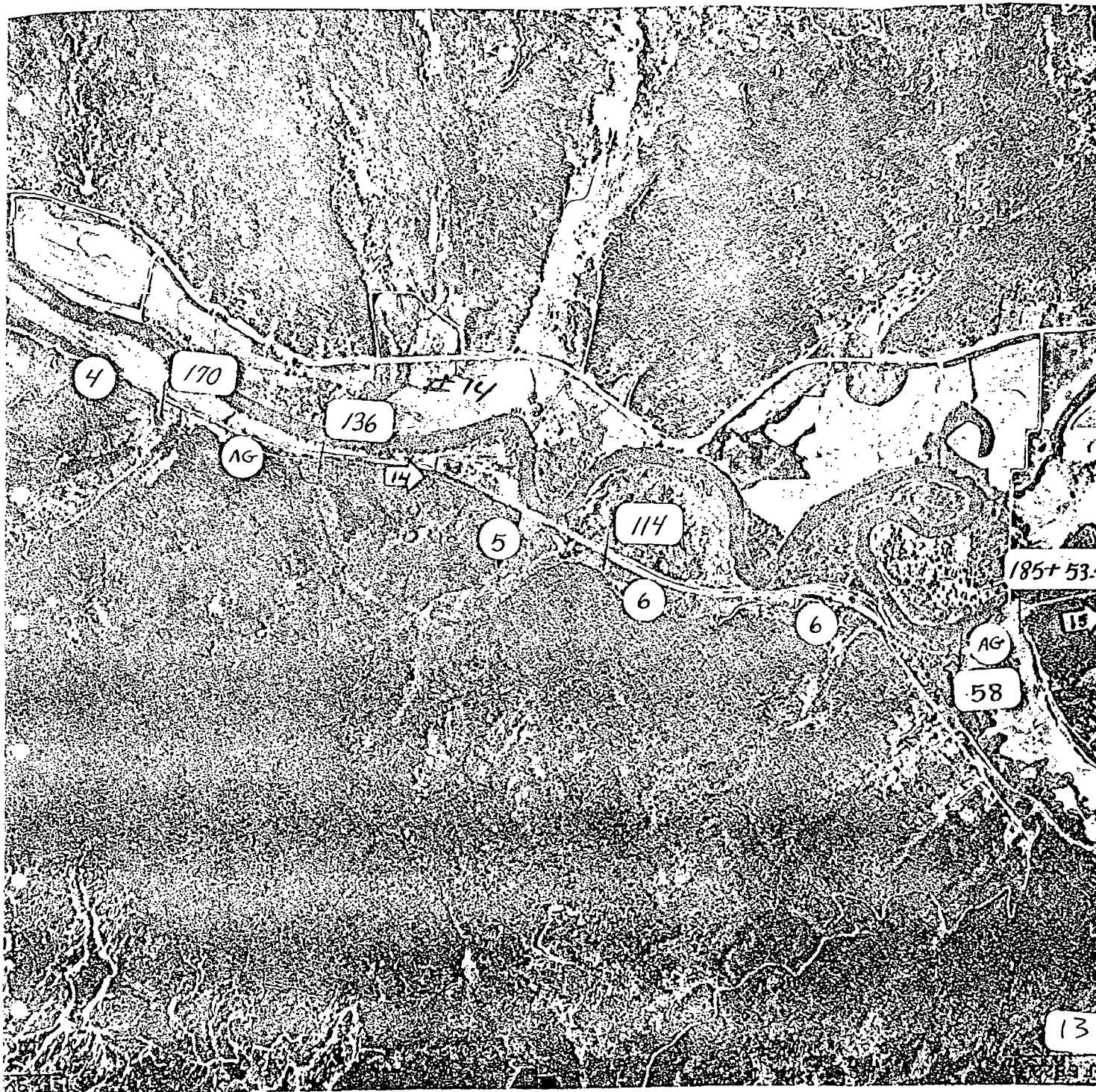
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 261 + 68.5	to	170 + 00	22.25 Ac	T4 7.99 Ac
Station 170 + 00	to	136 + 00	7.77 Ac	Agriculture

MAIN LINE SHEET 12

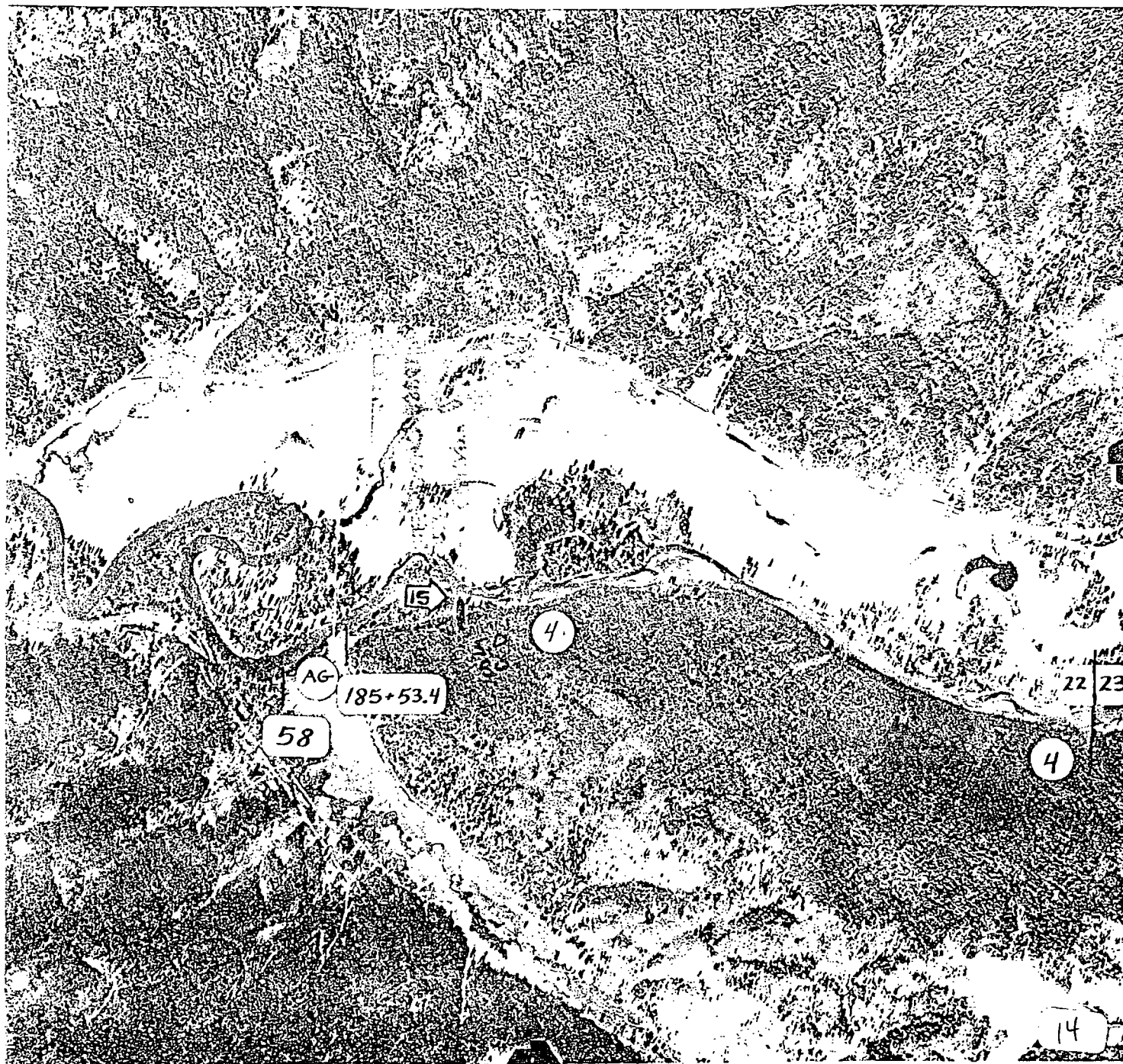
2. AERIAL PHOTOGRAPHS (CONTINUED)



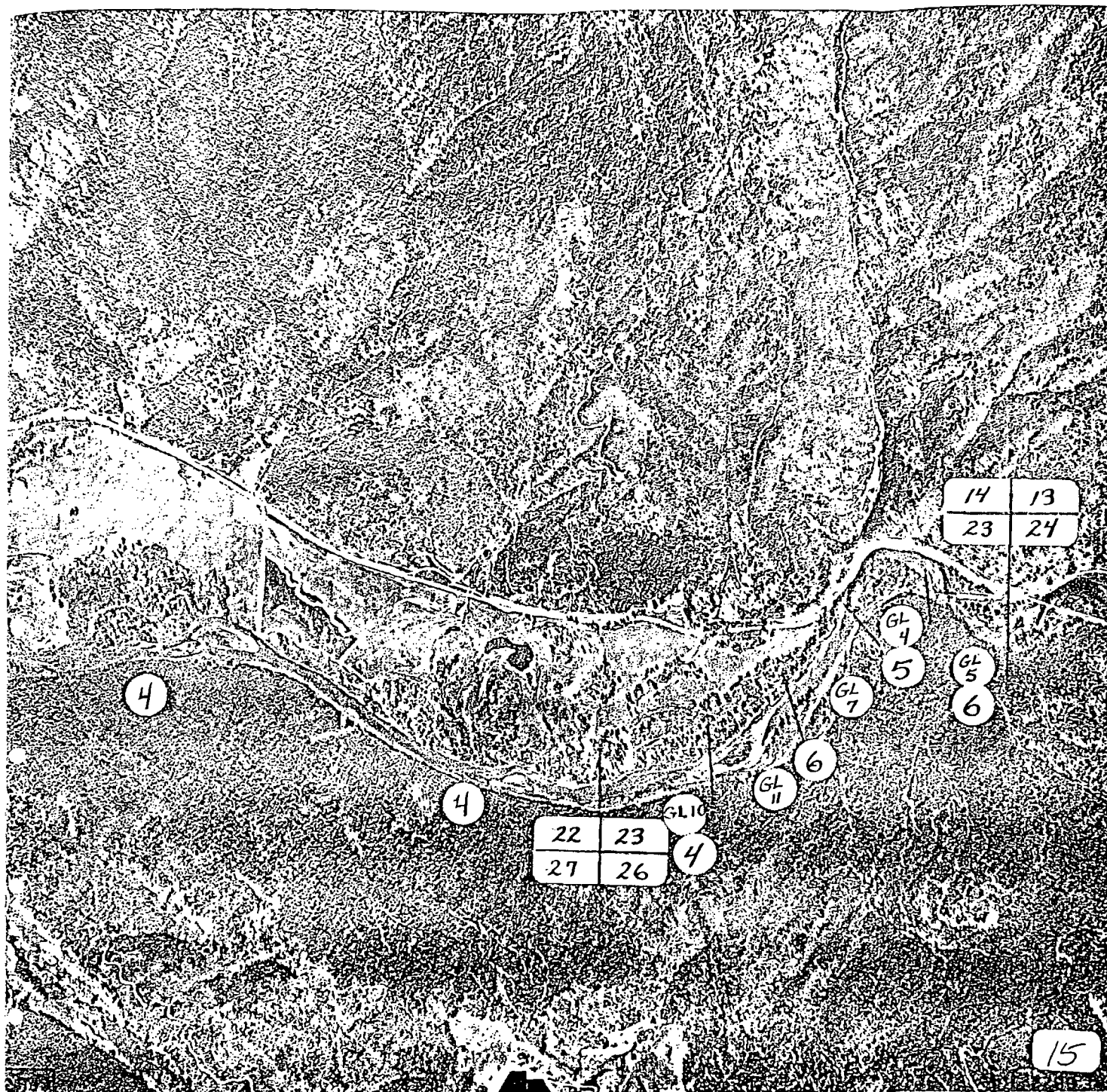
Station 136 + 00	to	114 + 00	5.05 Ac	T5 1.01 Ac
Station 114 + 00	to	58 + 00	27.35 Ac	T6 17.07 Ac
Station 58 + 00	to	185 + 53.4	3.08 Ac	Agriculture

MAIN LINE SHEET 13

2. AERIAL PHOTOGRAPHS (CONTINUED)



2. AERIAL PHOTOGRAPHS (CONTINUED)

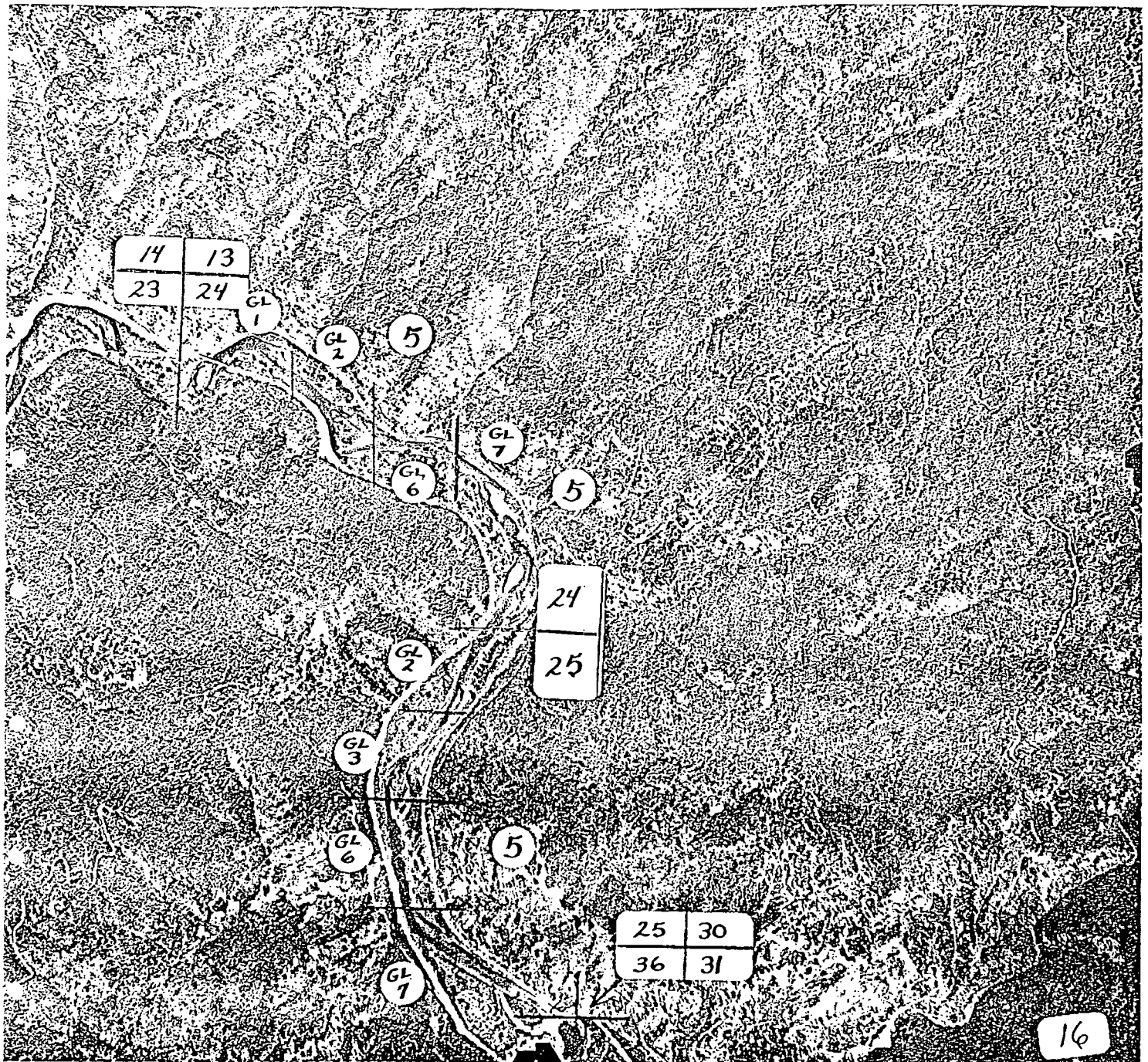


SWSW Sec 21 GL 10
 SESW Sec 23 GL 11
 SWNE Sec 23 GL 4

to SWSW Sec 23 GL 10
 to NWSE Sec 23 GL 7

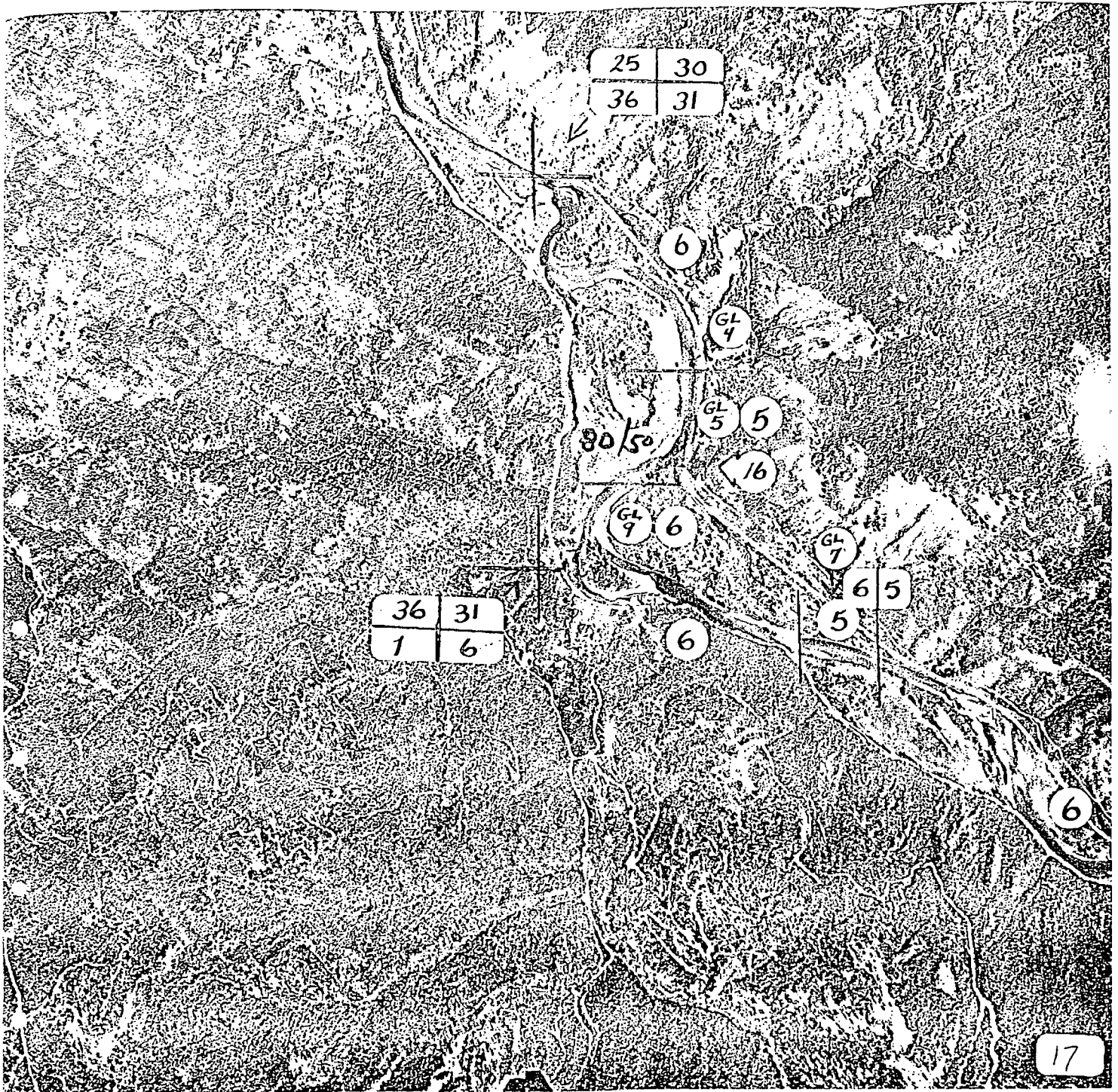
39.71 Ac T4 15.20 Ac
 8.96 Ac T6 3.4 Ac
 4.19 Ac T5 2.01 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



SENE Sec 23 GL 6	to	SENW Sec 24 GL 2	8.82 Ac	T6 1.2 Ac
SWNW Sec 24 GL 1	to	SWSW Sec 30 GL 4	38.22 Ac	T5 17.14 Ac

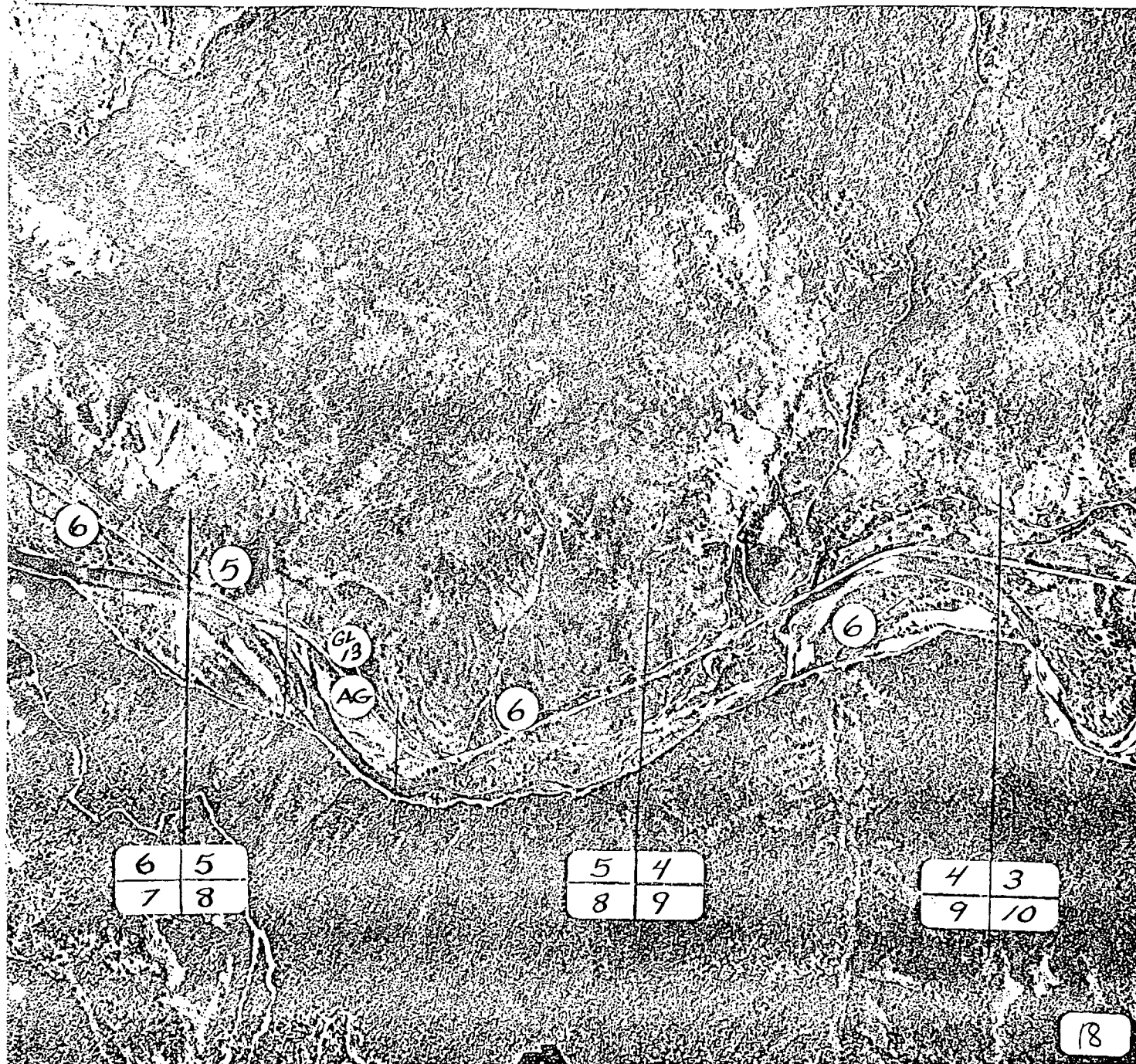
2. AERIAL PHOTOGRAPHS (CONTINUED)



NW1W Sec 31	to	SENW Sec 31 GL 4	11. 27 Ac	T6 2.08 Ac
NESW Sec 31 GL 5	to	SESW Sec 31	6.09 Ac	T5 2.60 Ac
SWSE Sec 31	to	SWNW Sec 5 GL 10	8.36 Ac	T6 2.16 Ac

MAIN LINE SHEET 17

2. AERIAL PHOTOGRAPHS (CONTINUED)



SWNW Sec 5 GL 10
 SENW Sec 5 GL 9
 NWSE Sec 5 GL 14

to
 to

NESW Sec 5 GL 13
 SENE Sec 4 GL 9

1.82 Ac T6 .23 Ac
 4.70 Ac Agriculture
 19.72 Ac T6 3.92 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



SWNW Sec 3 GL 9
 SWNE Sec 3
 SWSE Sec 2
 SESW Sec 1 GL 10

to SENW Sec 3
 to SWSE Sec 2
 to SWSW Sec 1 GL 11

14.59 Ac Agriculture
 26.85 Ac T6 13.73 Ac
 8.90 Ac T6 3.76 Ac
 5.03 Ac T5 2.15 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



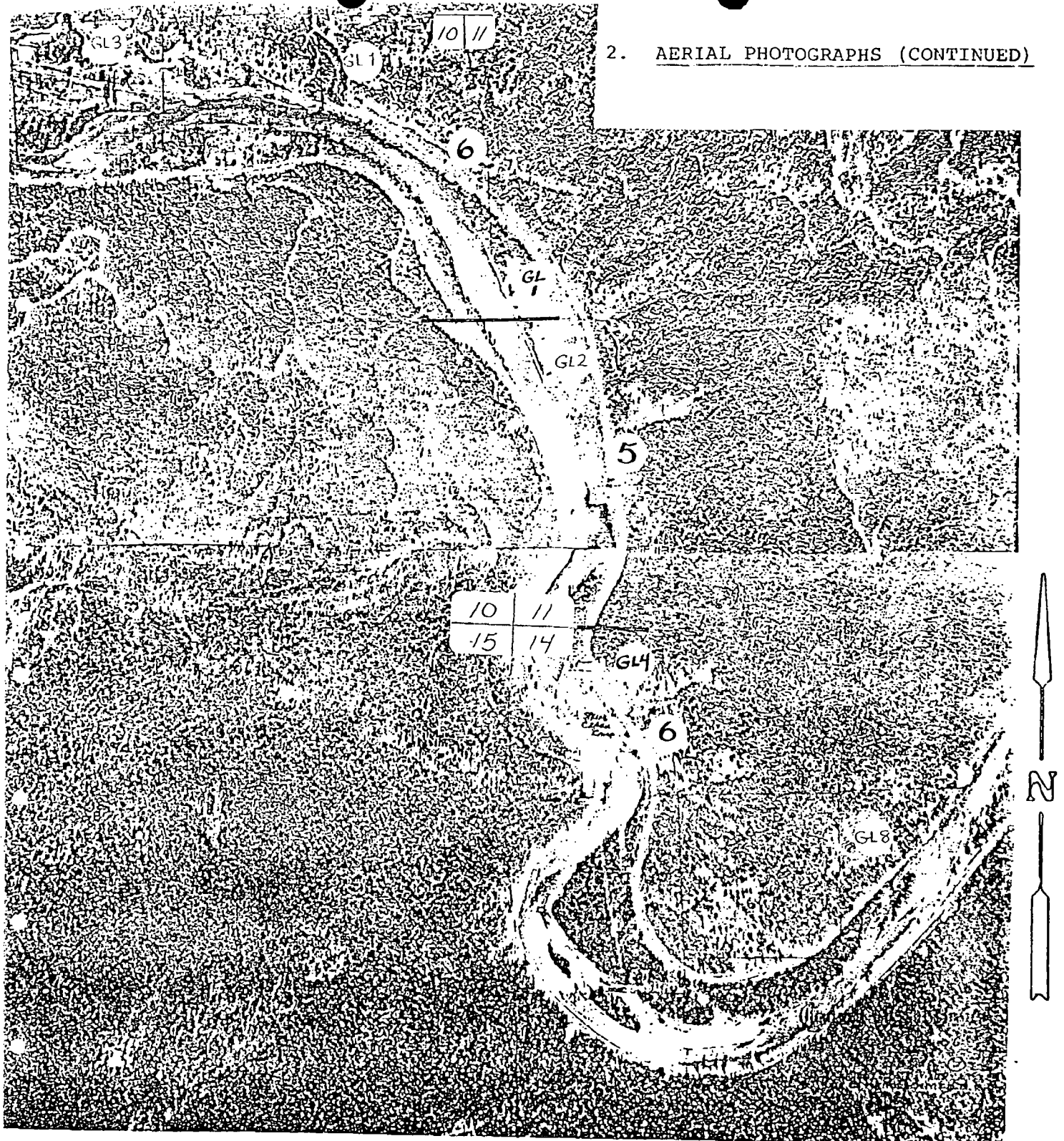
NWNE Sec 12				21.88 Ac	T6 17.57 Ac
SESE Sec 1 GL 9	to	SWSE Sec 6 GL 14		21.37 Ac	T5 11.11 Ac
SESE Sec 6 GL 16	to	SWSW Sec 5 GL 10		10.28 Ac	Agriculture
SESW Sec 5 GL 11				3.89 Ac	T5 1.49 Ac
NESW Sec 5	to	NWSE Sec 5 GL 9		13.80 Ac	Agriculture

2. AERIAL PHOTOGRAPHS (CONTINUED)



NESE Sec 5	to	SESW Sec 4 GL 11	12.79 Ac	T6	7.11 Ac
SESW Sec 4 GL 4	to	SWSE Sec 4 GL 10	7.39 Ac	T6	2.80 Ac
SESE Sec 4 GL 9	to	NWNW Sec 10 GL 4	12.67 Ac	T5	7.29 Ac

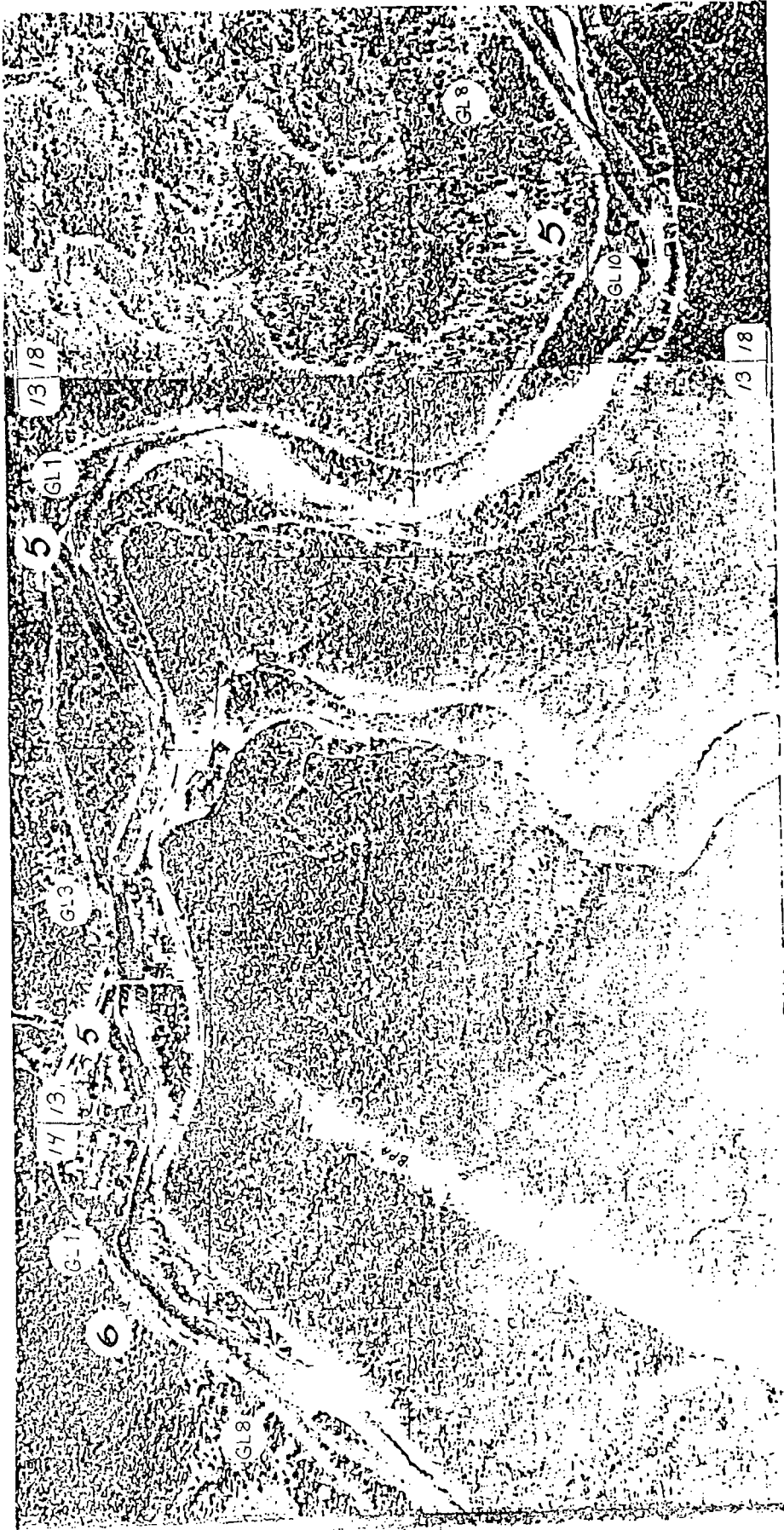
2. AERIAL PHOTOGRAPHS (CONTINUED)



NENW Sec 10 GL 3	to	SWNW Sec 11 GL 1	21.94 Ac	T6 11.53 Ac
NWSW Sec 11 GL 2	to	SWSW Sec 11 GL 4	13.54 Ac	T5 8.27 Ac
NWNW Sec 14 GL 4			5.90 Ac	T6 3.03 Ac

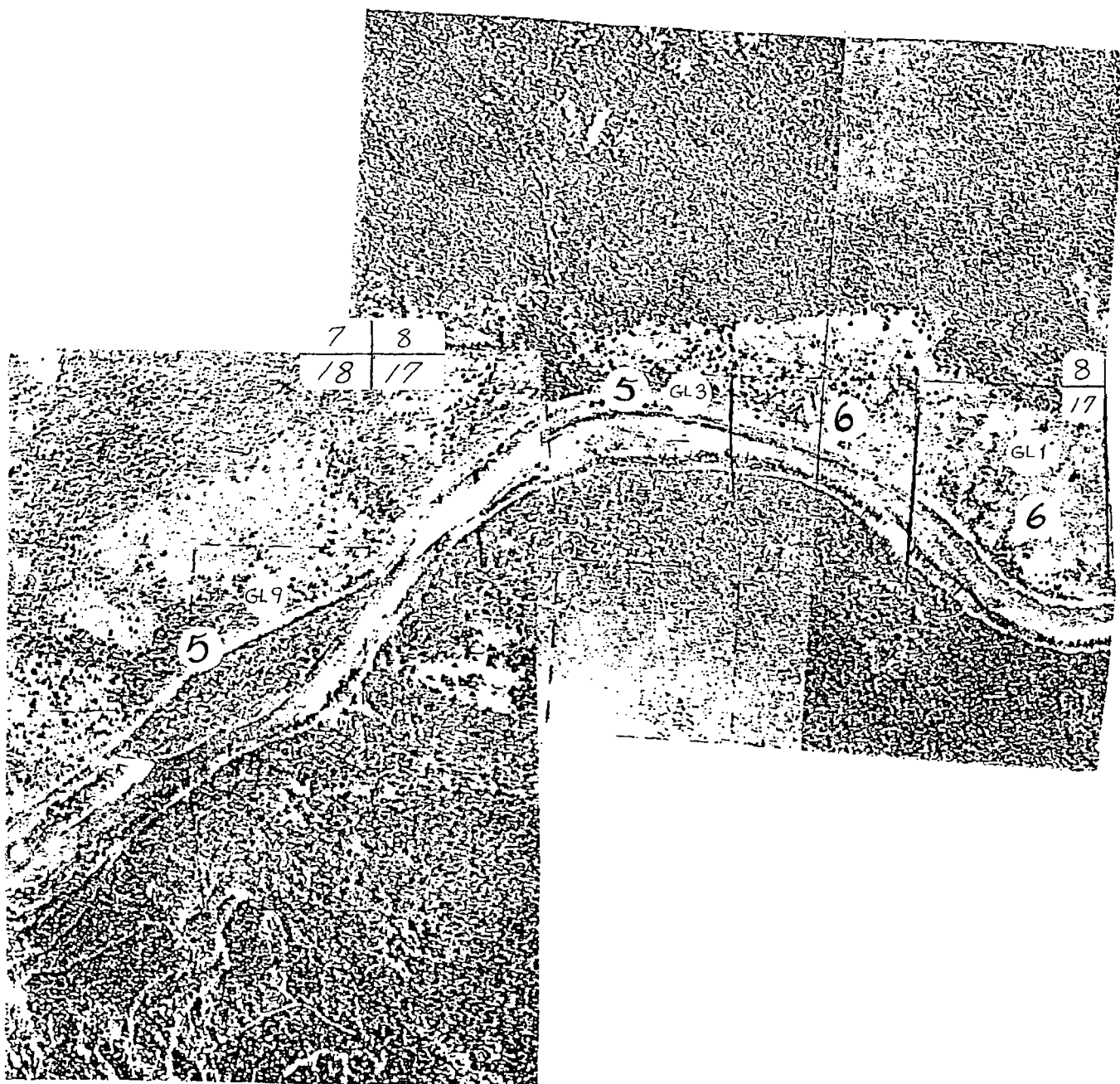
SHEET 7

2. AERIAL PHOTOGRAPHS (CONTINUED)



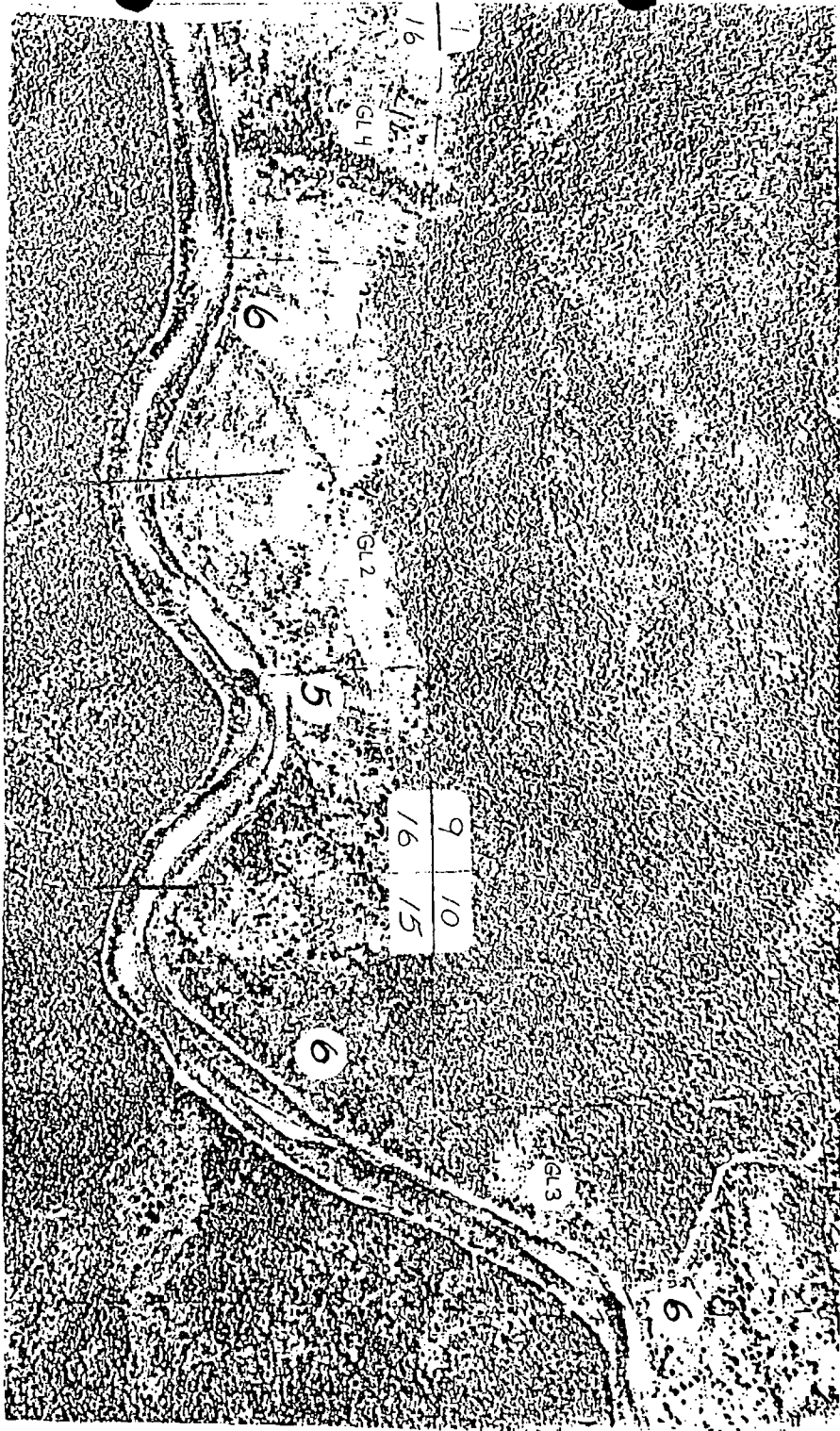
Sec 14 GL 7, 11	to	NENE Sec 14 GL 1	52.29 Ac	T6 41.0 Ac
NENE Sec 14	to	NENW Sec 17 GL 3	77.97 Ac	T5 42.60 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



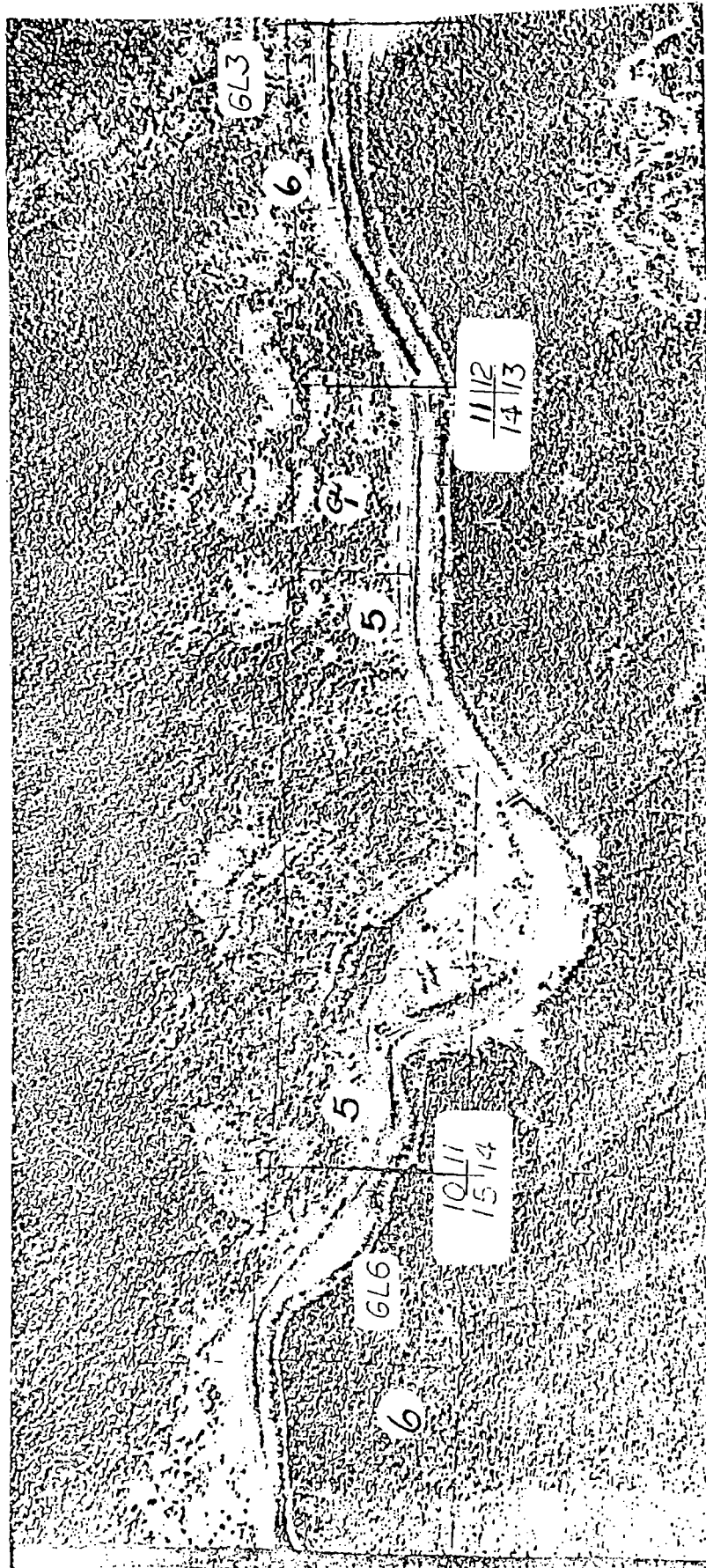
NWNE Sec 17 GL 2	to	E1/2NE Sec 17 GL 1	10.61 Ac	T6 5.77 Ac
NENE Sec 17 GL 1	to	NWNE Sec 16 GL 2	18.19 Ac	T6 8.68 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



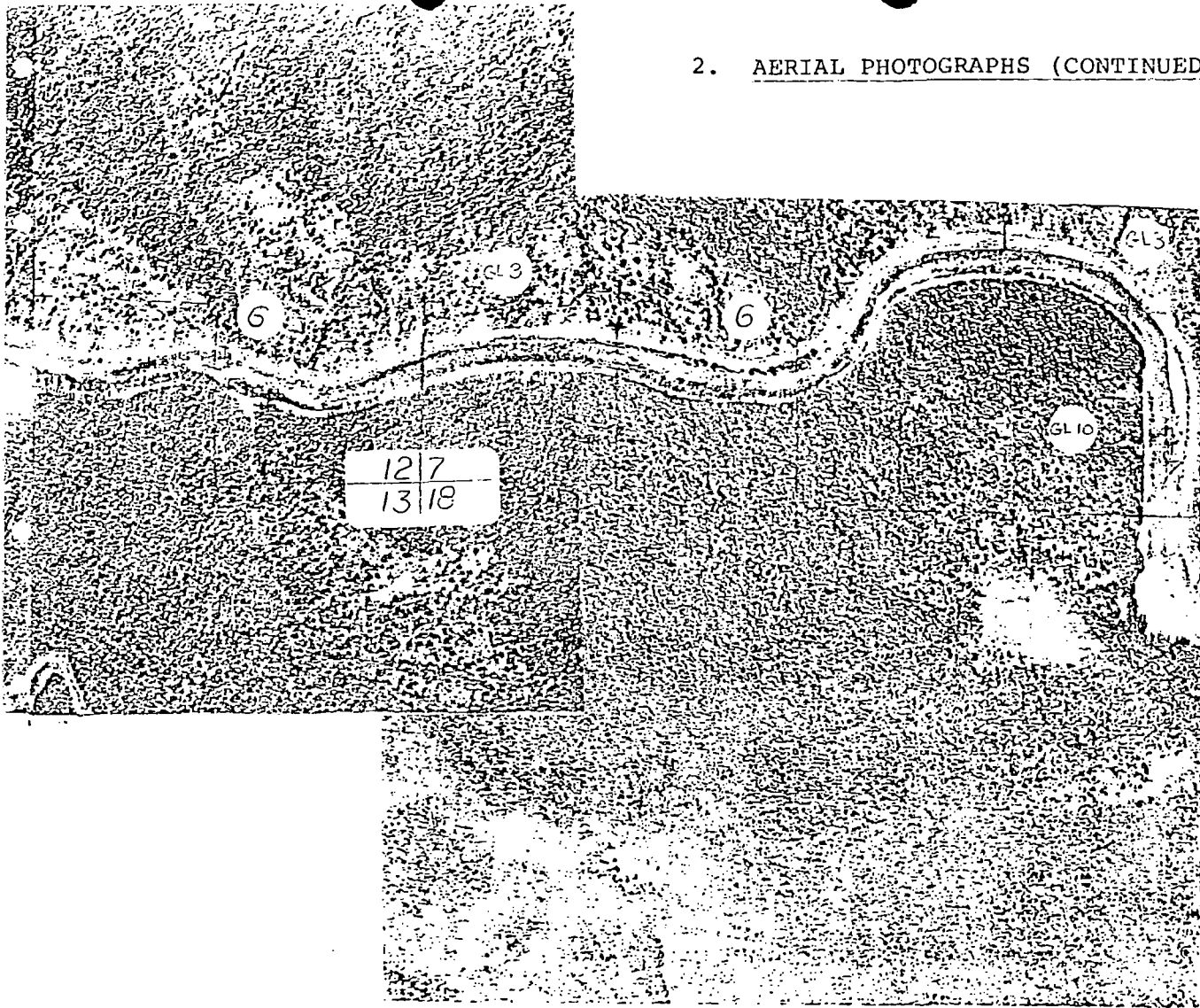
NENE Sec 16 GL 1 to SENE Sec 16 GL 1 5.46 Ac T5 2.28 Ac
 SWNW Sec 15 GL 2 to SESE Sec 10 GL 6 29.34 Ac T6 15.14 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



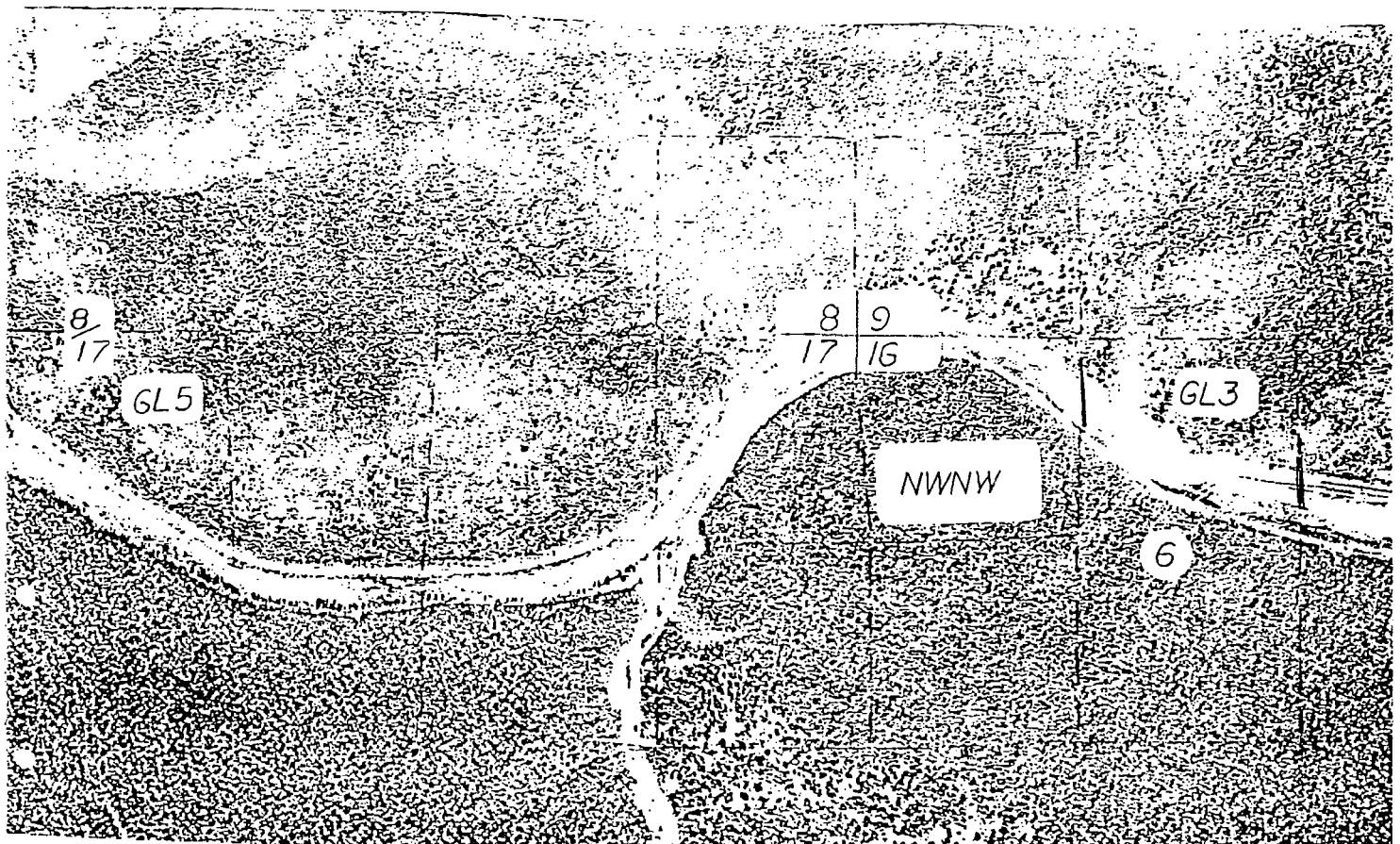
SWSW Sec 11 GL 4	to	SESE Sec 11 GL 1	25.17 Ac	T5 14.33 Ac
SWSW Sec 12 GL 4	to	SESW Sec 12 GL 3	5.58 Ac	T6 2.49 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



SESW Sec 12 GL 3	to	SESE Sec 12 GL 1	14.40 Ac T6
SWSW Sec 7 GL 6	to	SESE Sec 7 GL 11	23.94 Ac T6

2. AERIAL PHOTOGRAPHS (CONTINUED)



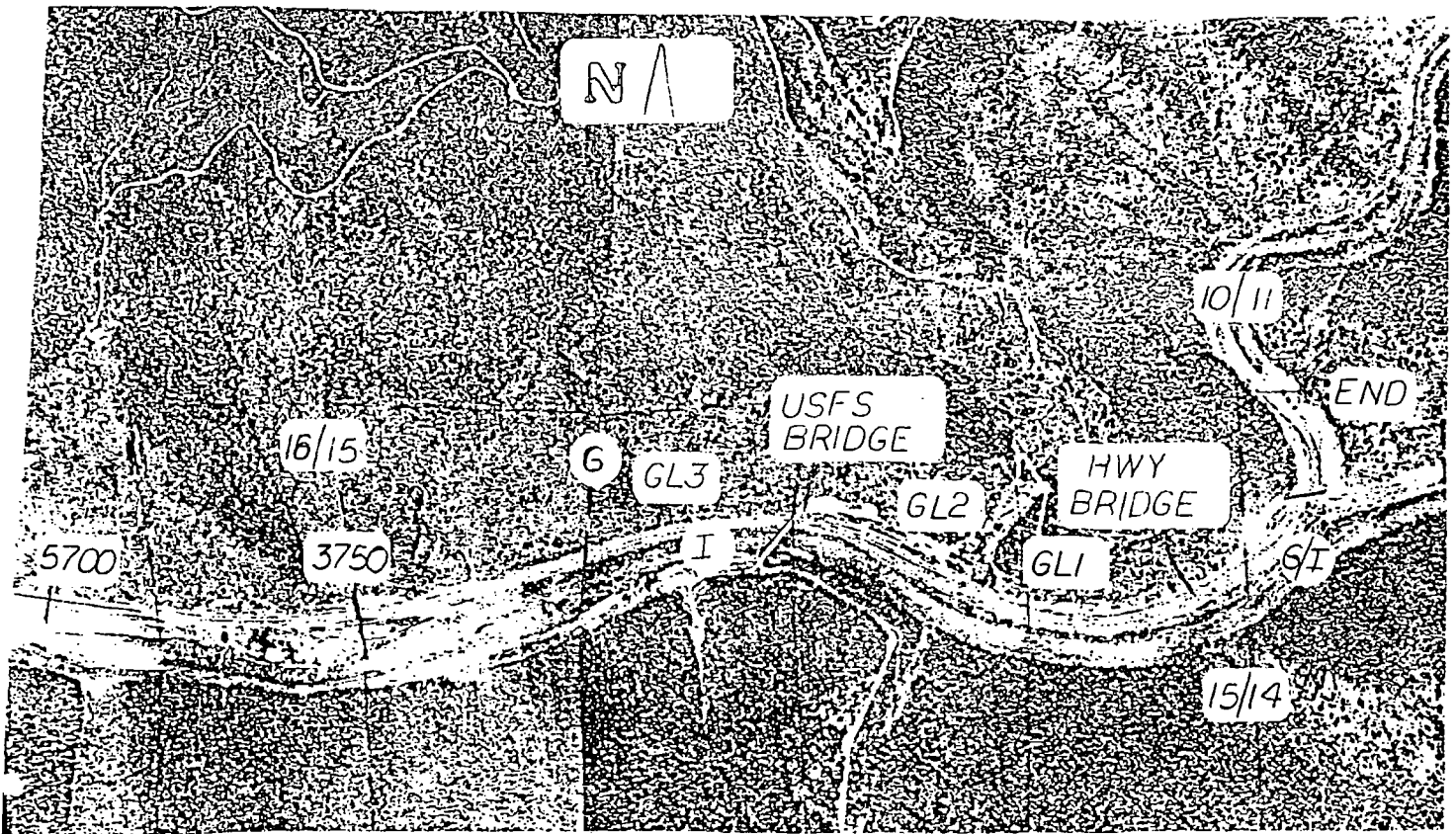
NENE Sec 18 GL 1
NWNW Sec 17 GL 5

to NWNW Sec 16

3.31 Ac T6
23.95 Ac T6



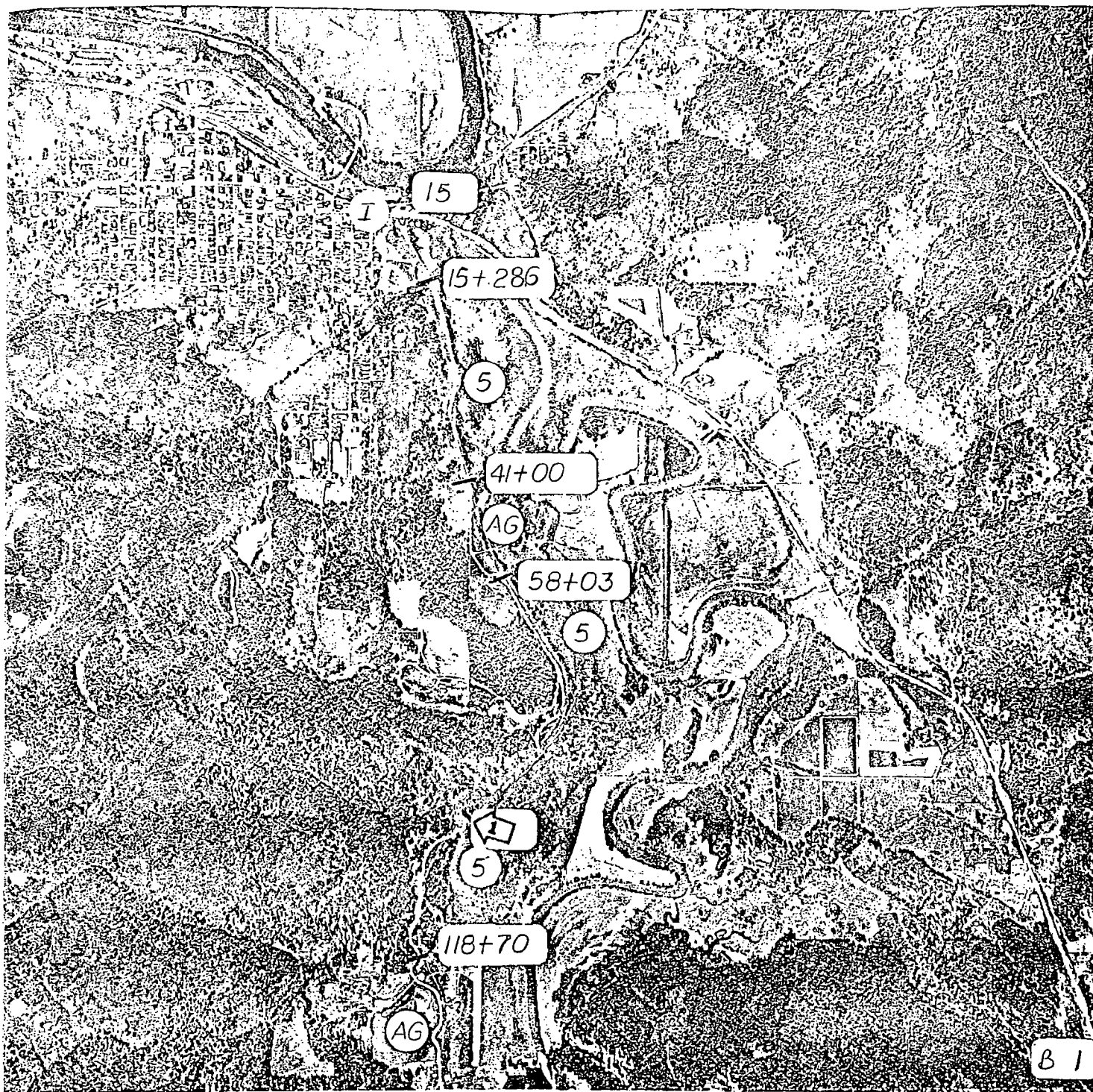
2. AERIAL PHOTOGRAPHS (CONTINUED)



NENW Sec 16 GL 3 to 57 + 00
 Station 57 + 00 to 37 + 50
 Sec 15 GL 3
 Sec 15 GL 1,2
 Sec 15 #29
 Sec 14
 Sec 11
 Sec 10

12.00 Ac	Industrial	6.62
	T6	5.38
13.29 Ac	Industrial	
2.57 Ac	T6	
13.85 Ac	Industrial	
.13 Ac	Industrial	
3.64 Ac	T6	
.59 Ac	T6	
3.64 Ac	T6	

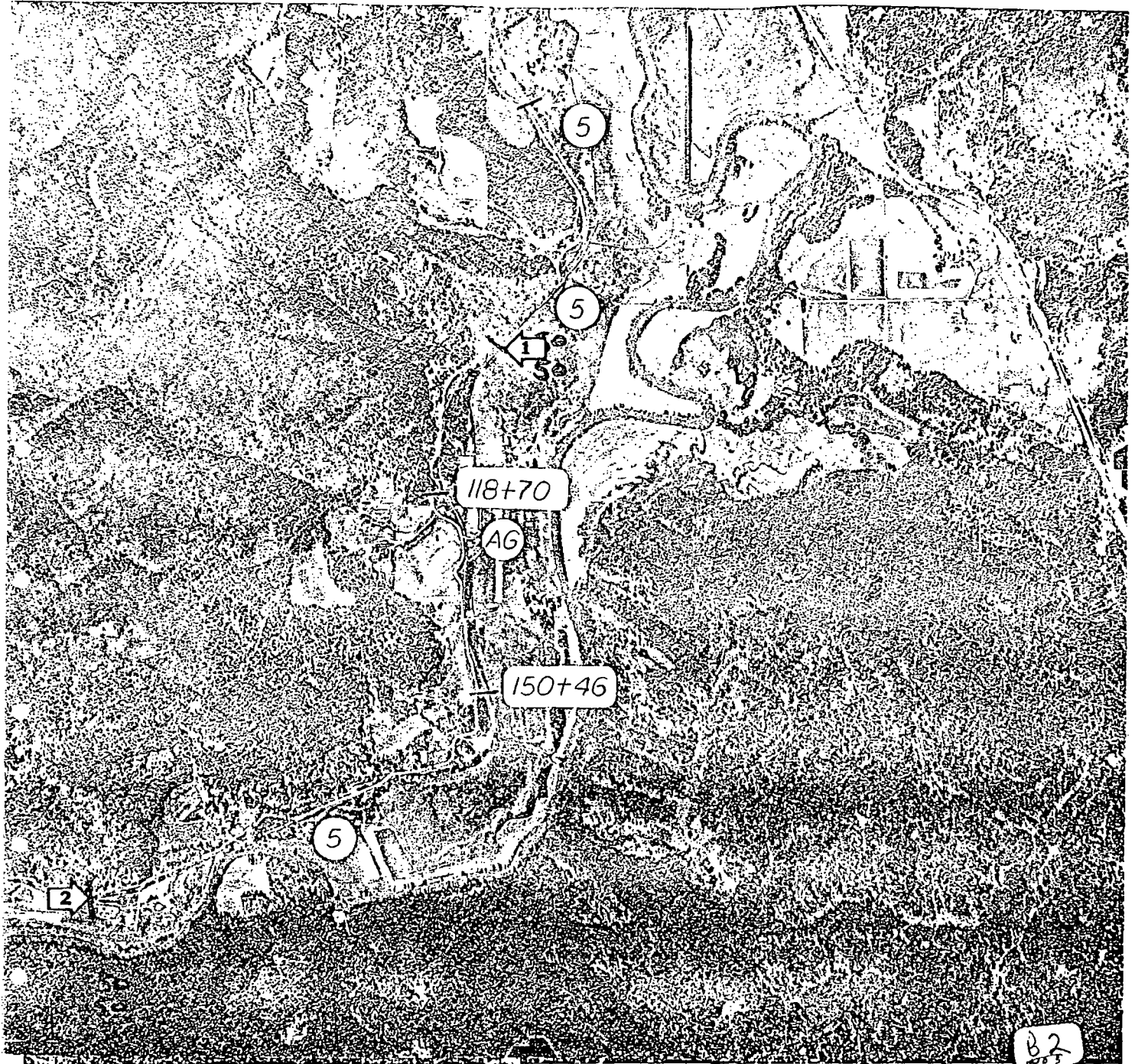
2. AERIAL PHOTOGRAPHS (CONTINUED)



St. Maries	to	15 + 28.6	3.72 Ac	Industrial
Station 15 + 28.6	to	41 + 00	8.13 Ac	T5 .06 Ac
Station 41 + 00	to	58 + 03	3.71 Ac	Agricultural
Station 58 + 03	to	118 + 70	14.72 Ac	T5 1.04 Ac

BRANCH SHEET 1

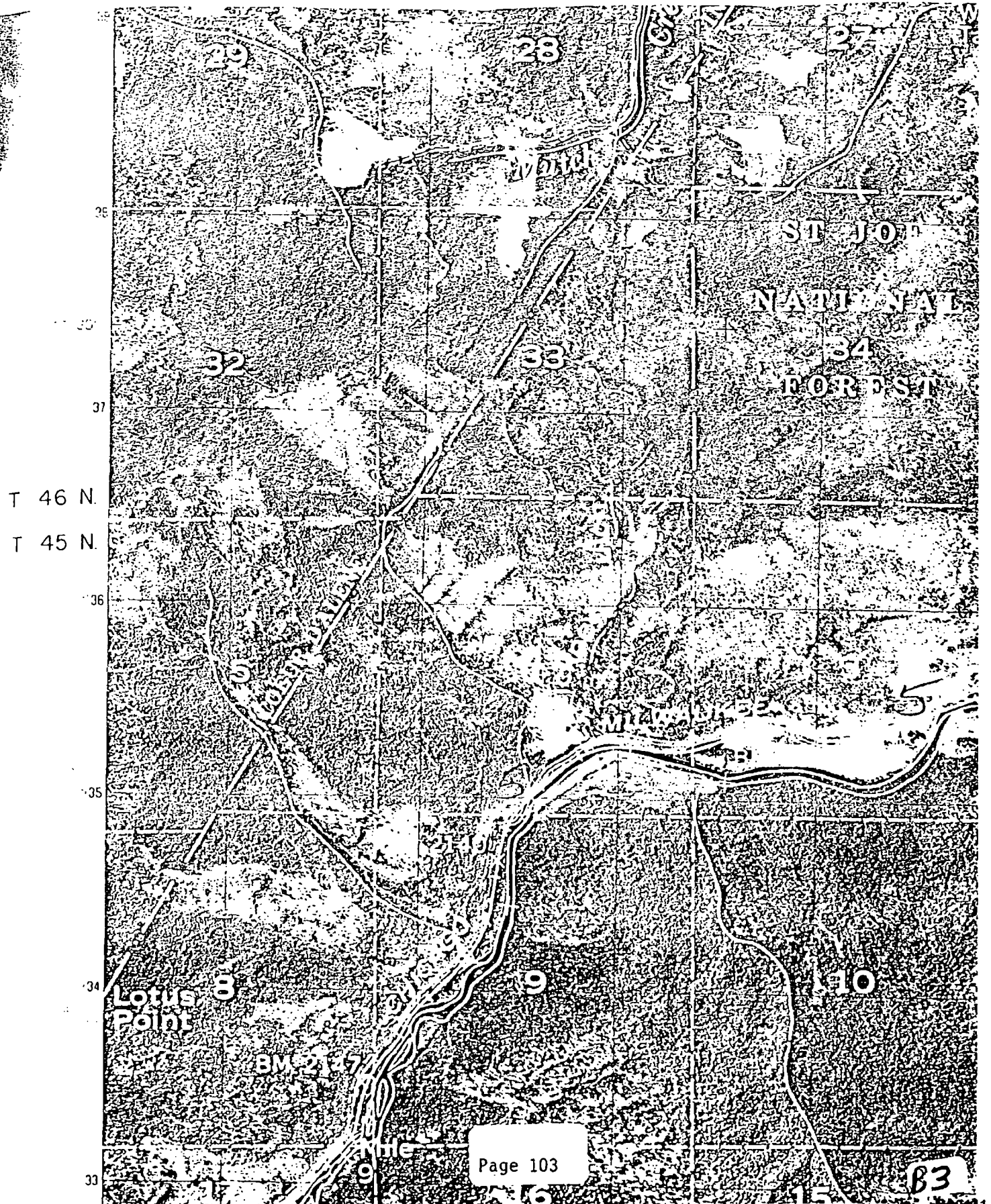
2. AERIAL PHOTOGRAPHS (CONTINUED)



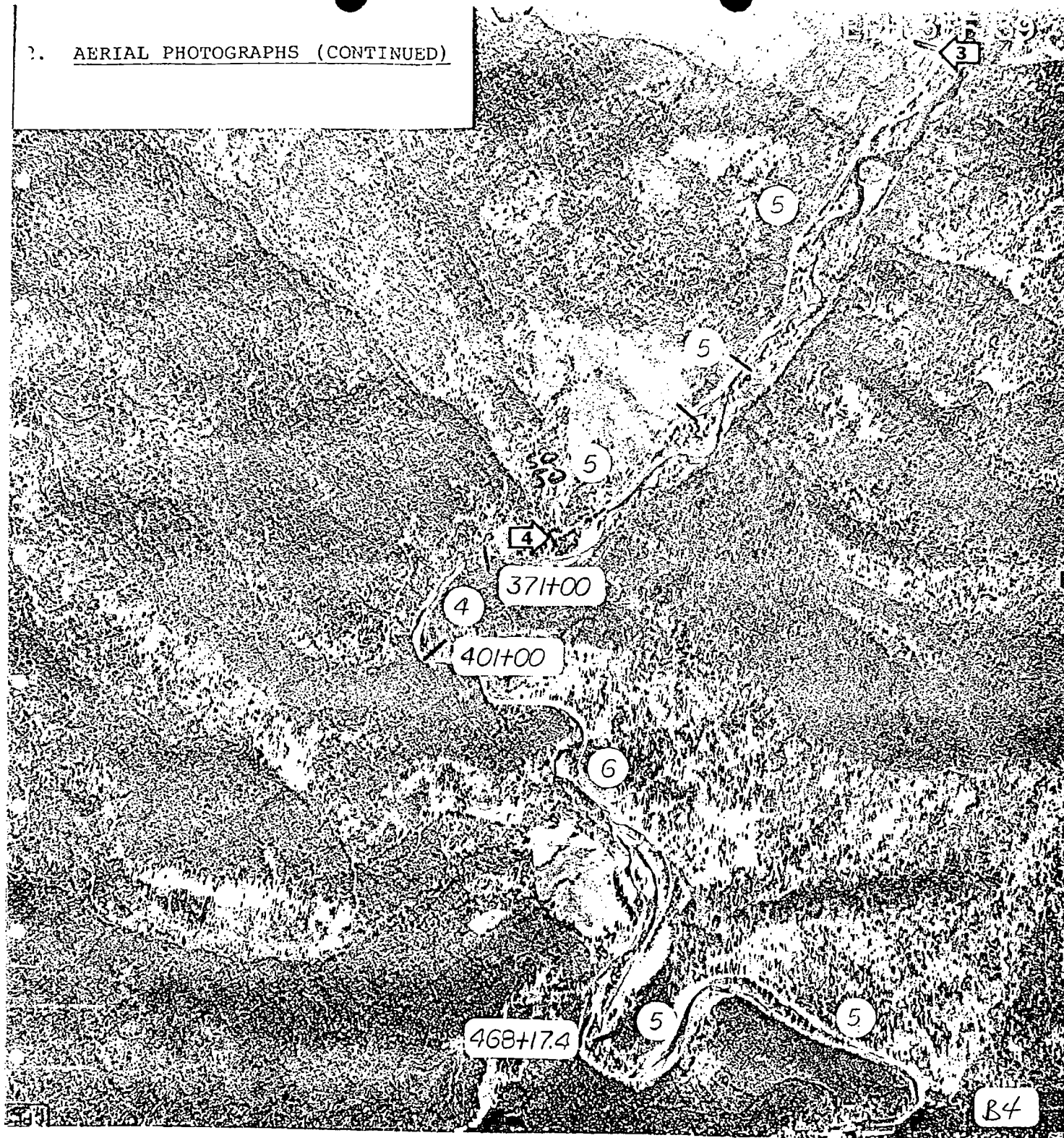
Station 118 + 70	to	150 + 46	8.11 Ac	Agricultural
Station 150 + 46	to	371 + 00	58.68 Ac	T5 7.53 Ac

BRANCH SHEET 2

2. AERIAL PHOTOGRAPHS (CONTINUED)



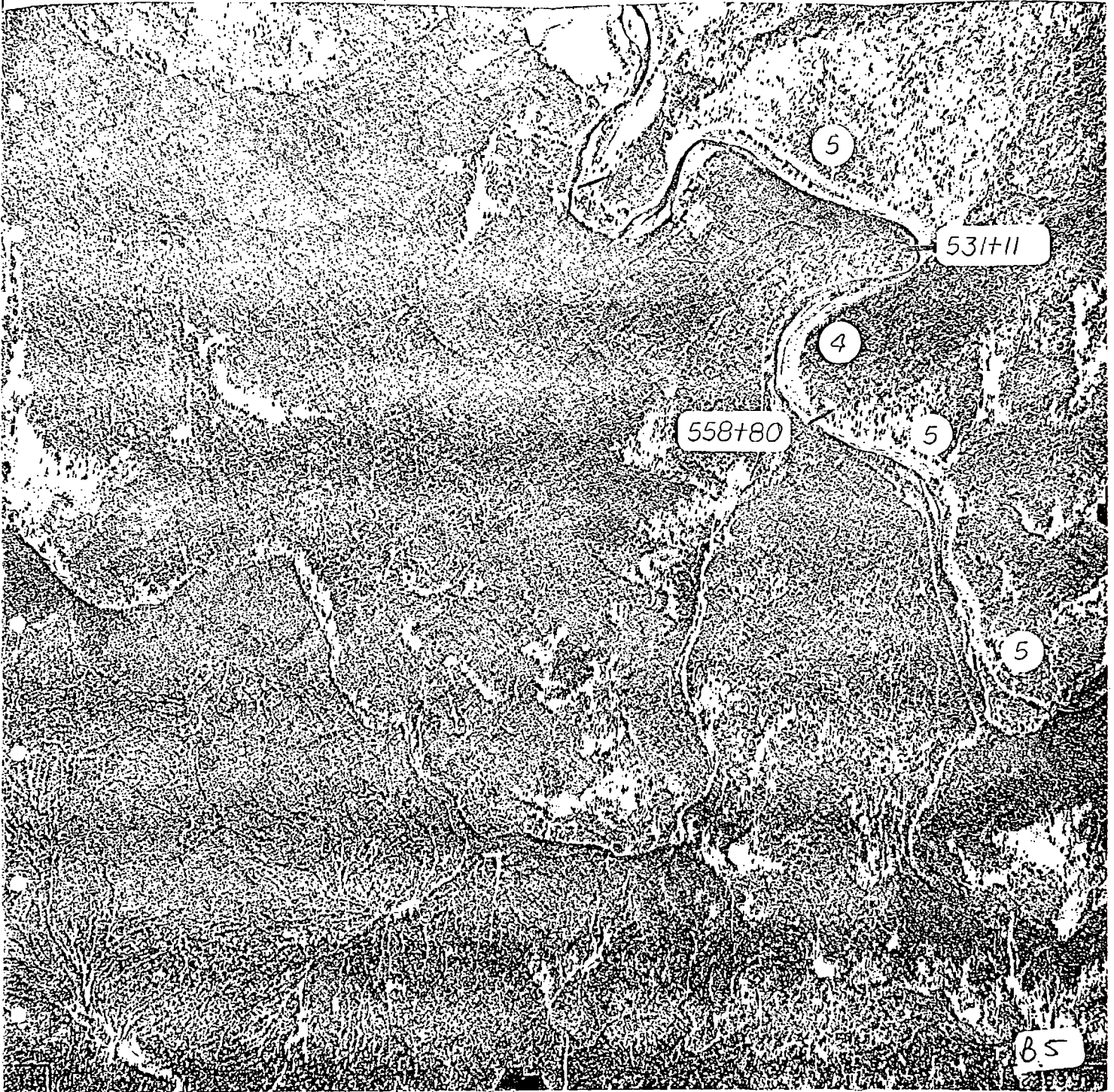
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 371 + 00	to	401 + 00	7.99 Ac	T4 .31 Ac
Station 401 + 00	to	468 + 17.4	21.82 Ac	T6 None

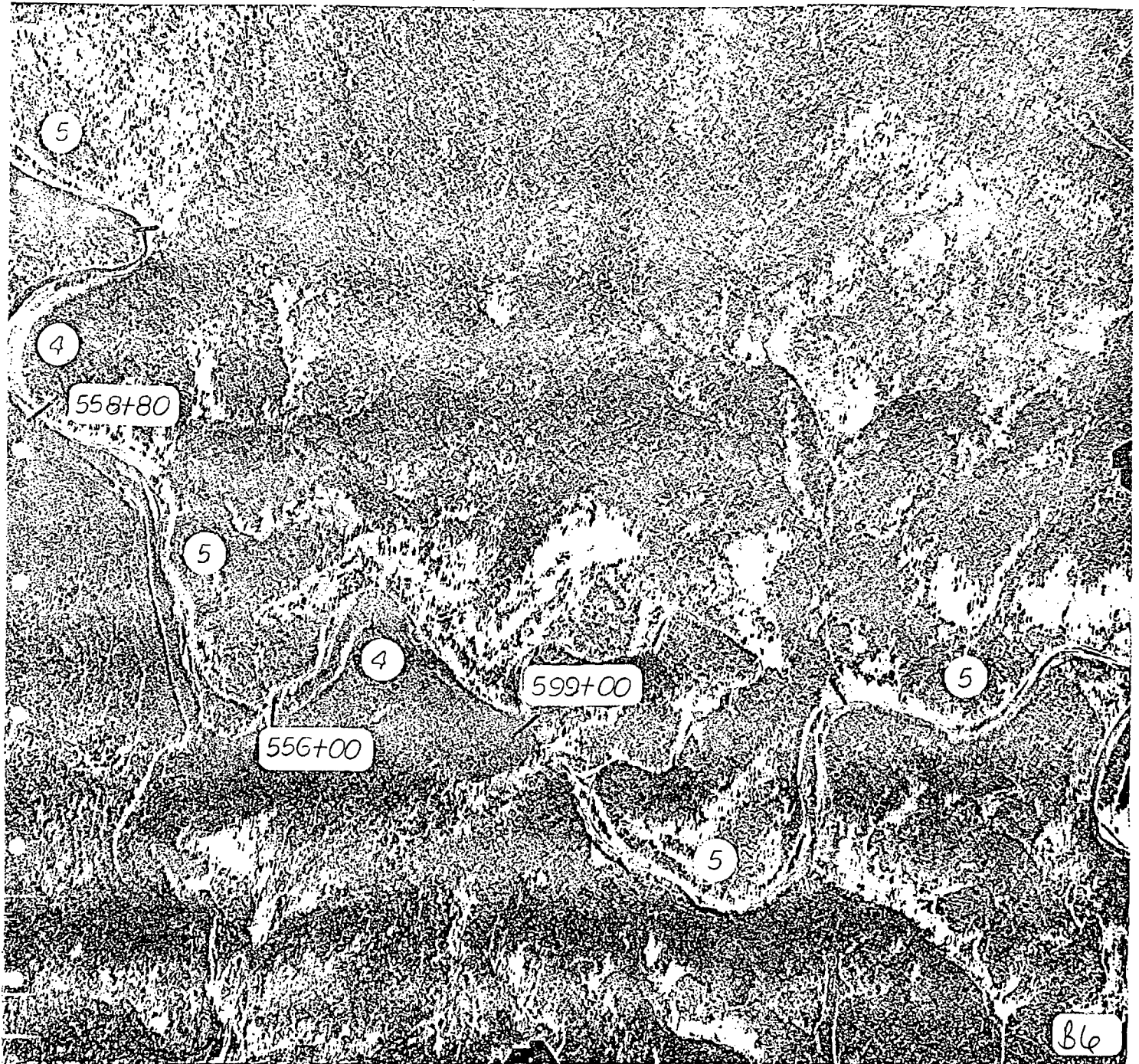
BRANCH SHEET 4

2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 468 + 17.4 to 531 + 11 17.44 Ac T5 1.15 Ac

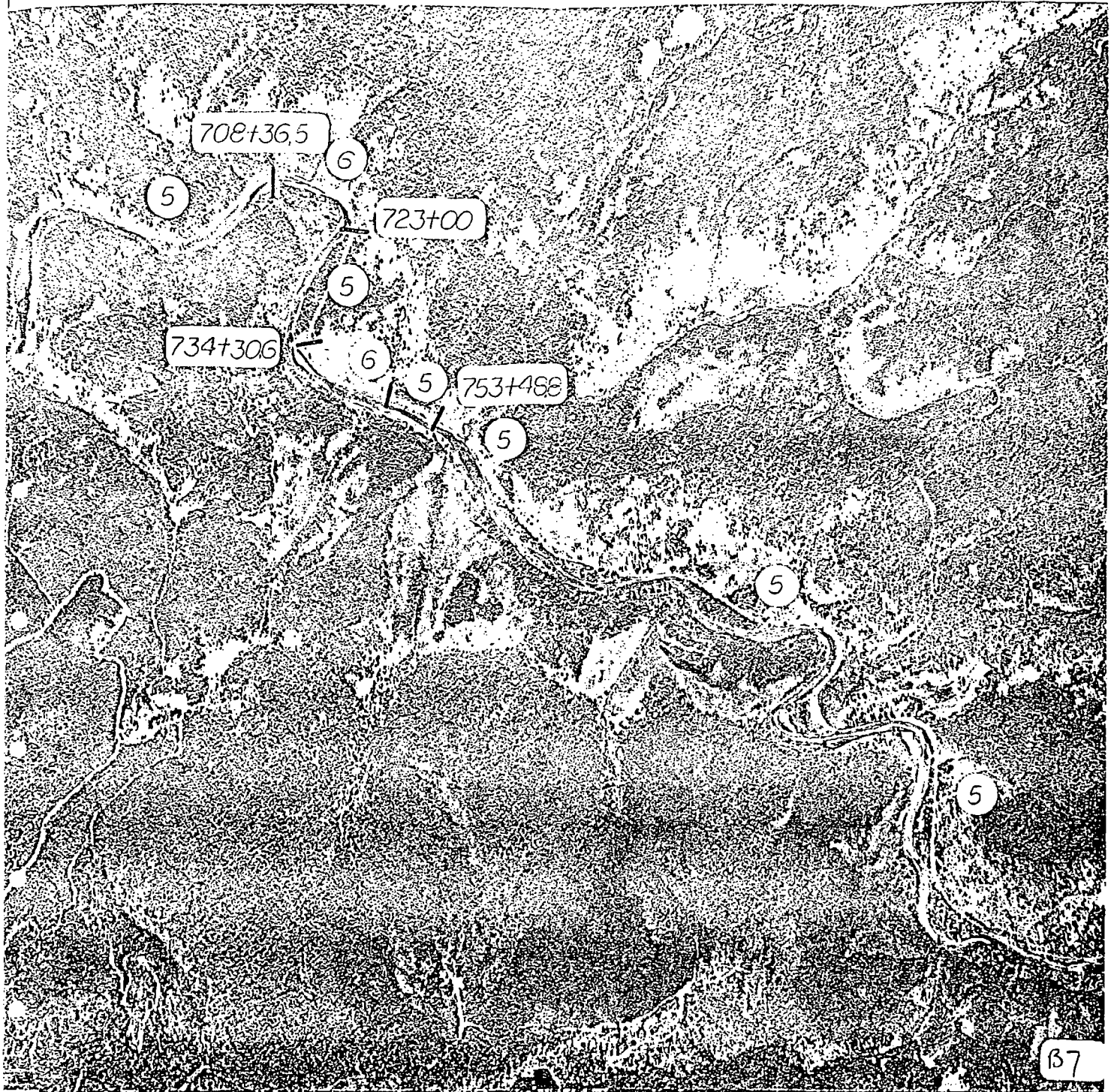
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 531 + 11	to	558 + 80	6.79 Ac	T4 .75 Ac
Station 558 + 80	to	556 + 00	14.64 Ac	T5 .90 Ac
Station 556 + 00	to	599 + 00	11.79 Ac	T4 1.22 Ac

BRANCH SHEET 6

2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 599 + 00	to	708 + 36.5	31.85 Ac	T5 2.42 Ac
Station 708 + 36.5	to	723 + 00	3.36 Ac	T6 None
Station 723 + 00	to	734 + 30.6	2.64 Ac	T5 .45 Ac
Station 734 + 30.6	to	753 + 48.8	4.40 Ac	T6 None

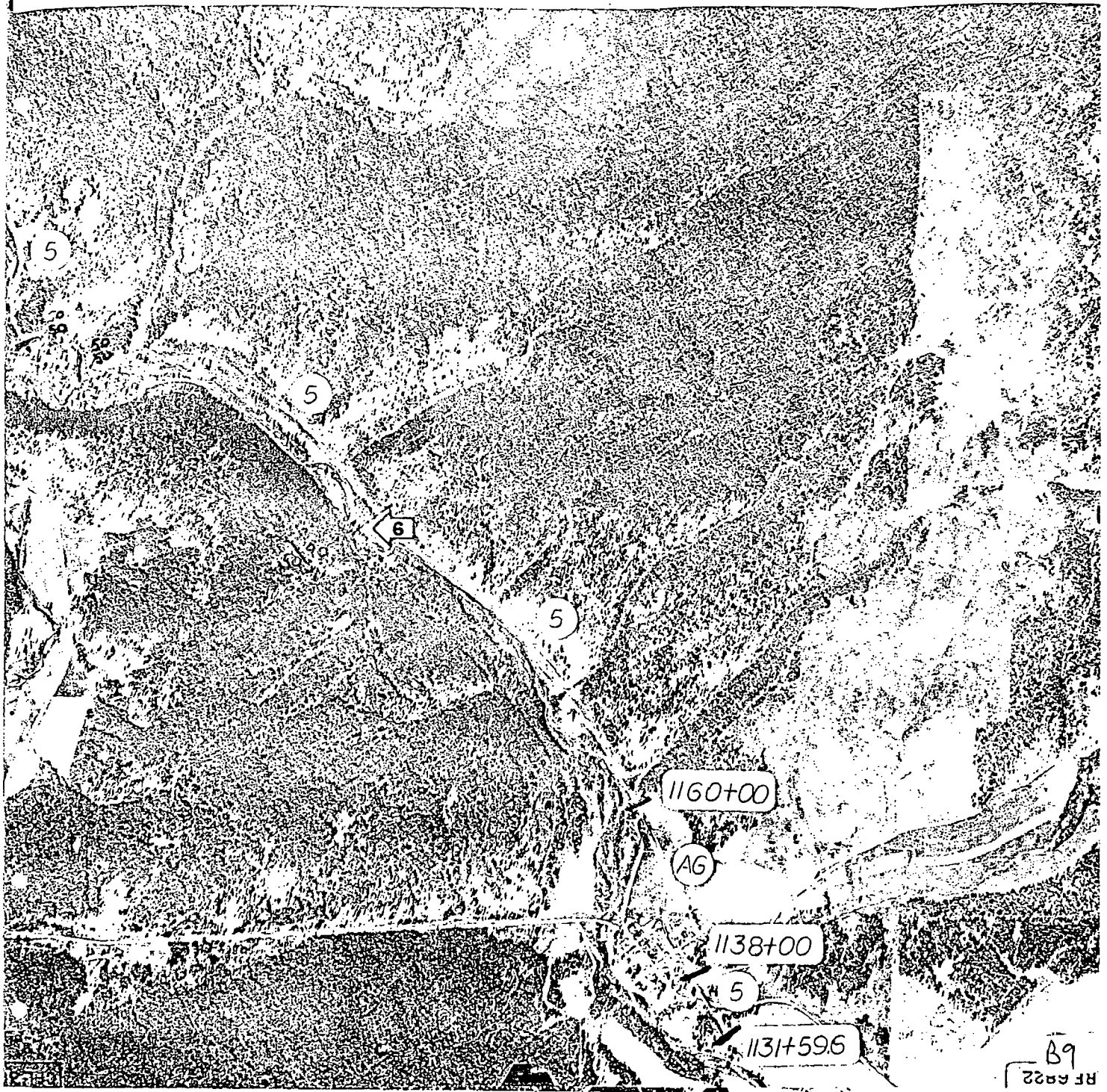
BRANCH SHEET 7

2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 753 + 48.8 to	1334 + 03.0	42.74 Ac	T5 5.32 Ac
Station 1334 + 03.0 to	1308 + 49.2	11.68 Ac	Agricultural

2. AERIAL PHOTOGRAPHS (CONTINUED)

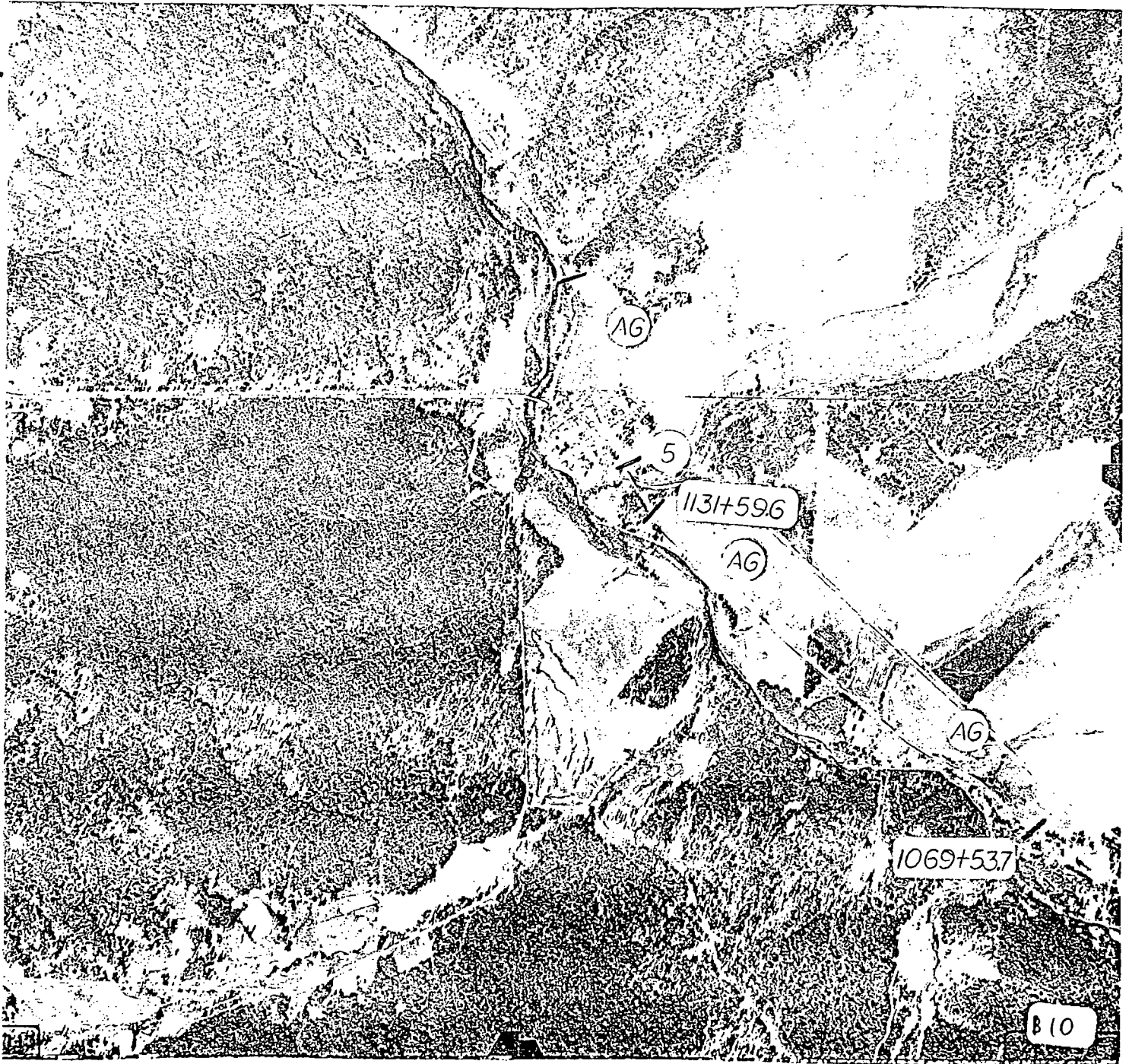


B9
RF 622

Station 1308 + 49.2 to	1160 + 00	40.83 Ac	T5 5.19 Ac
Station 1160 + 00.0 to	1138 + 00	6.37 Ac	Agricultural
Station 1138 + 00.0 to	1131 + 59.6	2.60 Ac	T5 .45 Ac

BRANCH SHEET 9

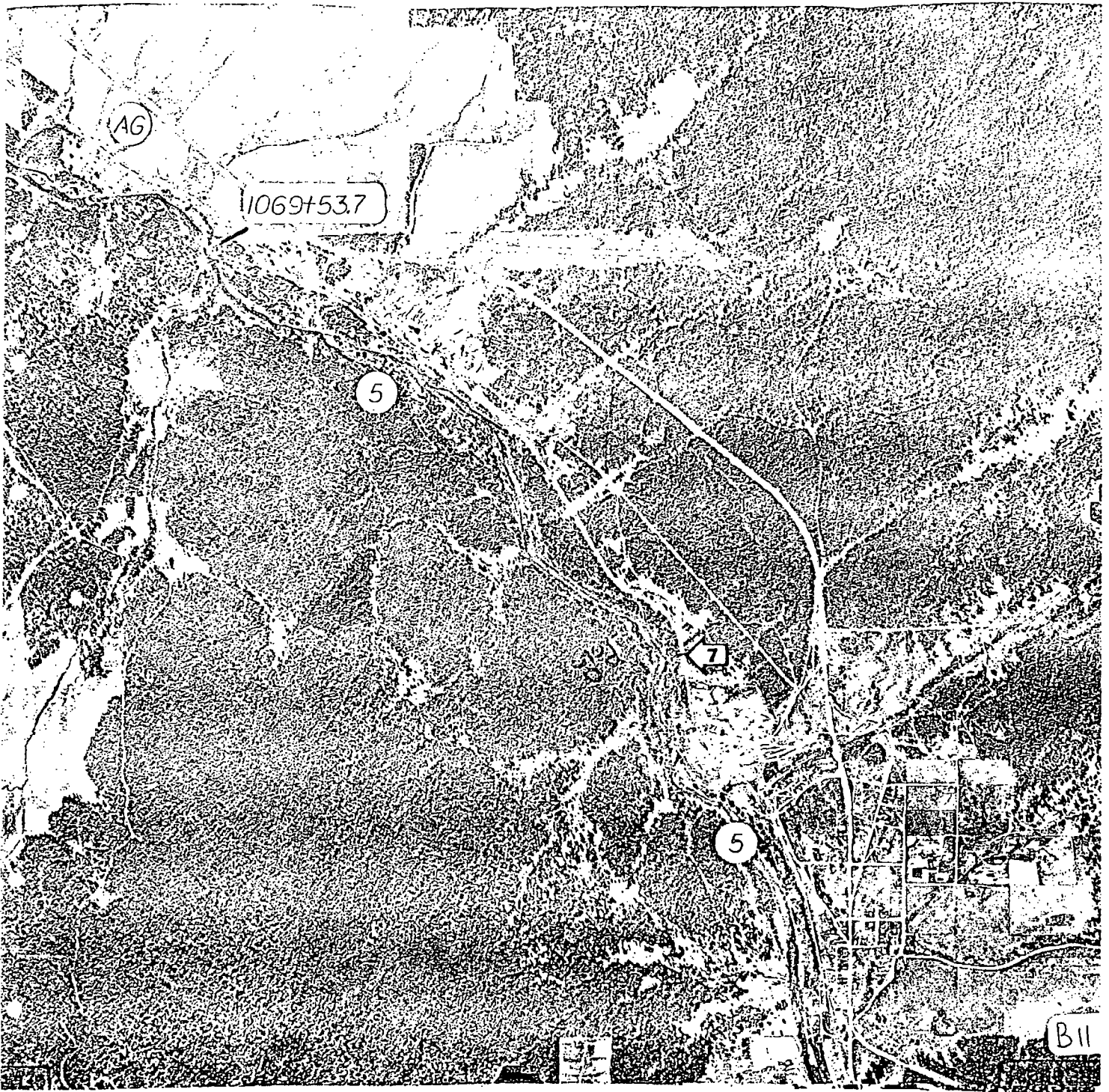
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1131 + 59.6 to 1069 + 53.7 13.82 Ac Agricultural

BRANCH SHEET 10

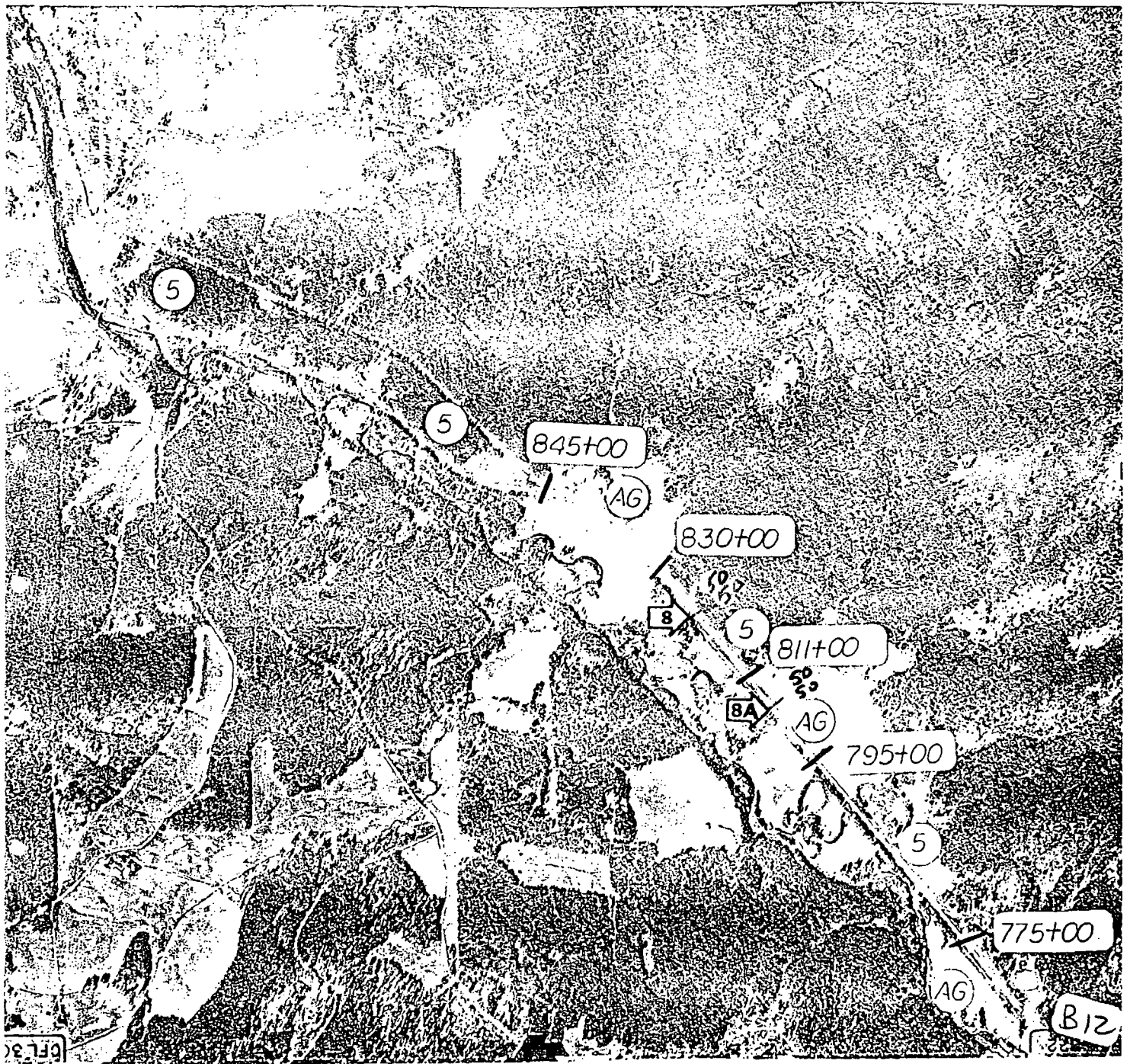
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 1069 + 53.7 to 845 + 00 70.50 Ac T5 8.89 Ac

BRANCH SHEET 11

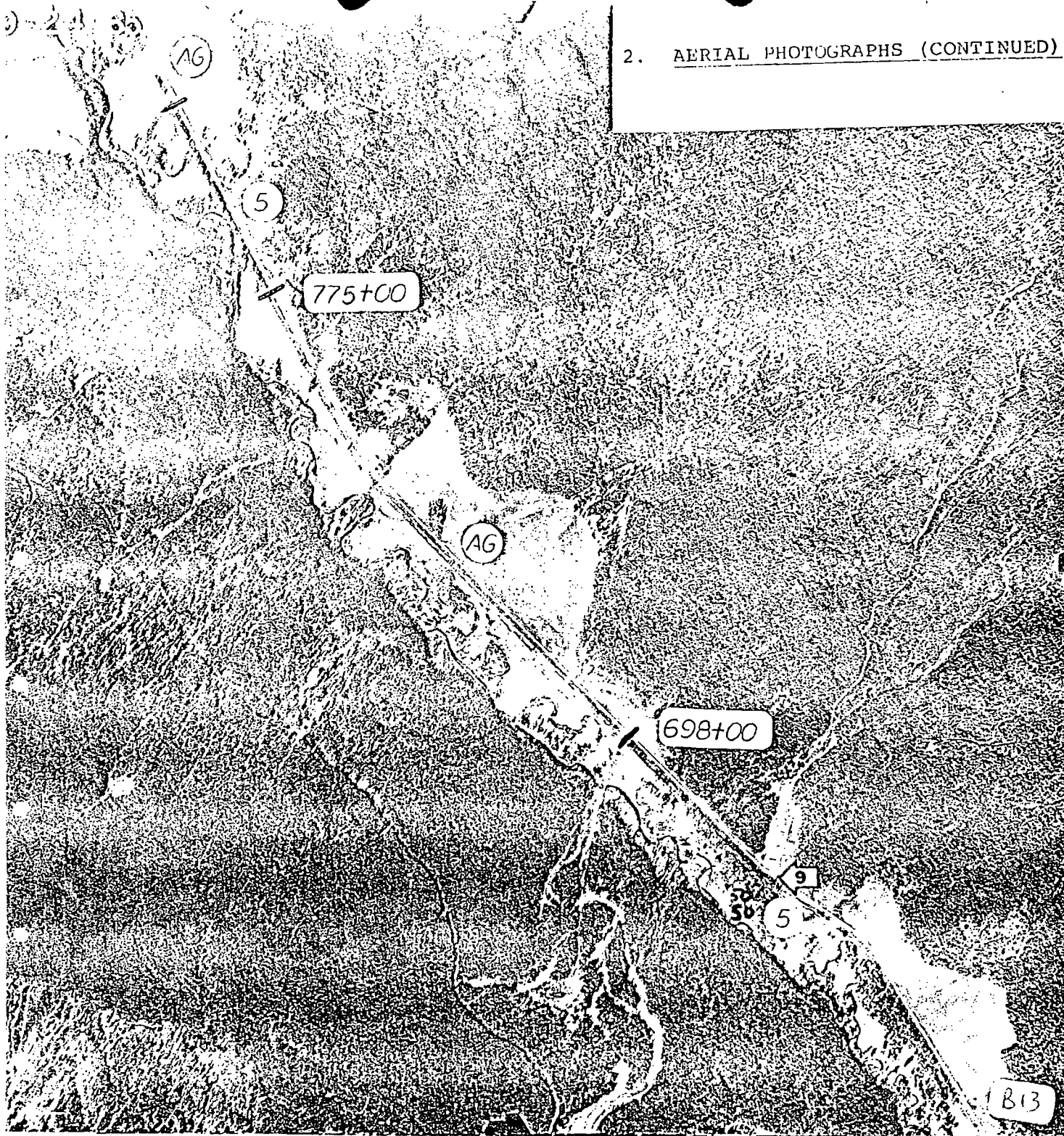
2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 845 + 00	to	830 + 00	3.44 Ac	Agricultural
Station 830 + 00	to	811 + 00	4.36 Ac	T5 .87 Ac
Station 811 + 00	to	795 + 00	3.68 Ac	Agricultural
Station 795 + 00	to	775 + 00	8.47 Ac	T5 .83 Ac

BRANCH SHEET 12

2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 775 + 00 to 698 + 00 17.96 Ac Agricultural

BRANCH SHEET 13

2. AERIAL PHOTOGRAPHS (CONTINUED)



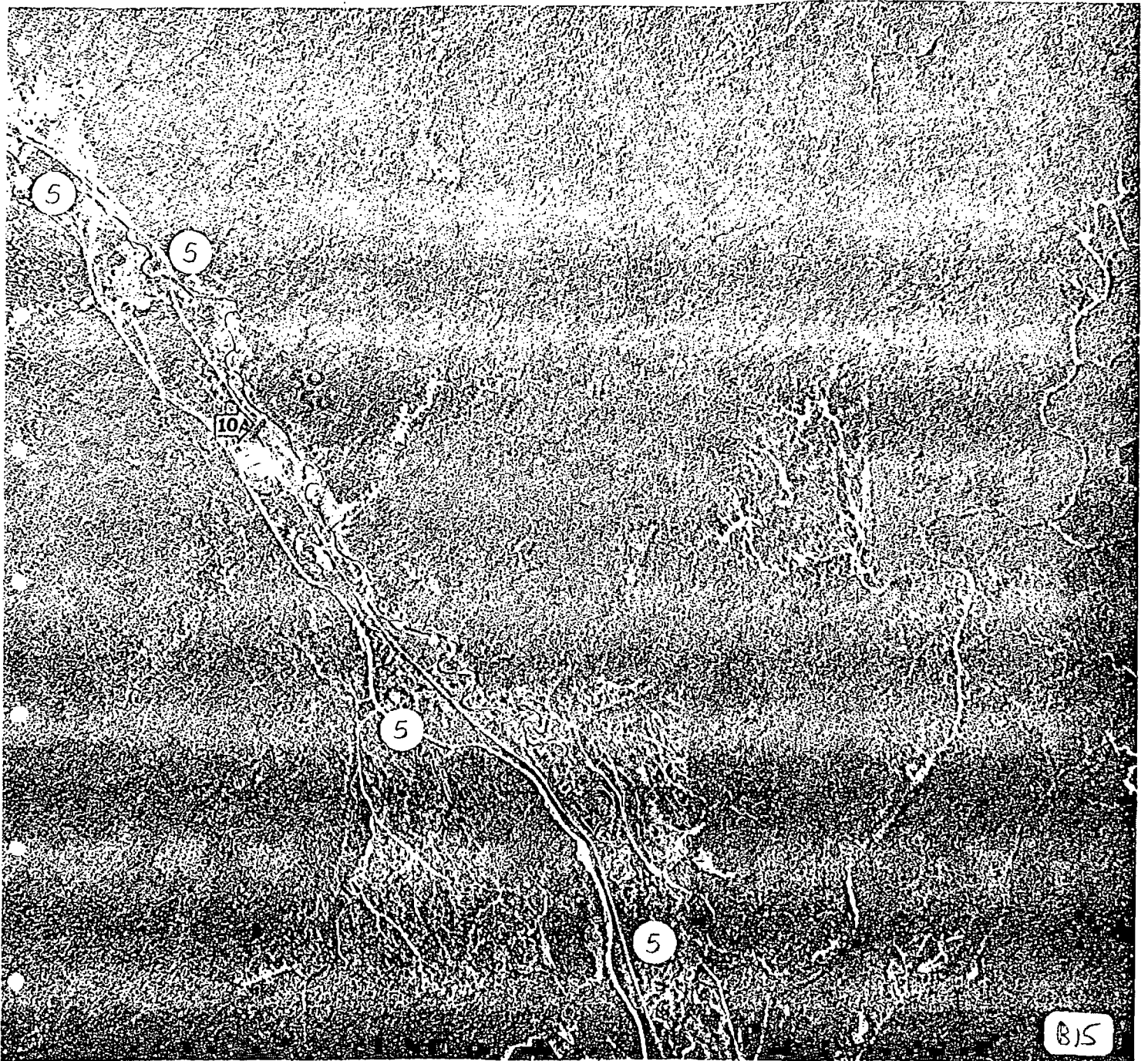
Station 698 + 00

to 423 + 00

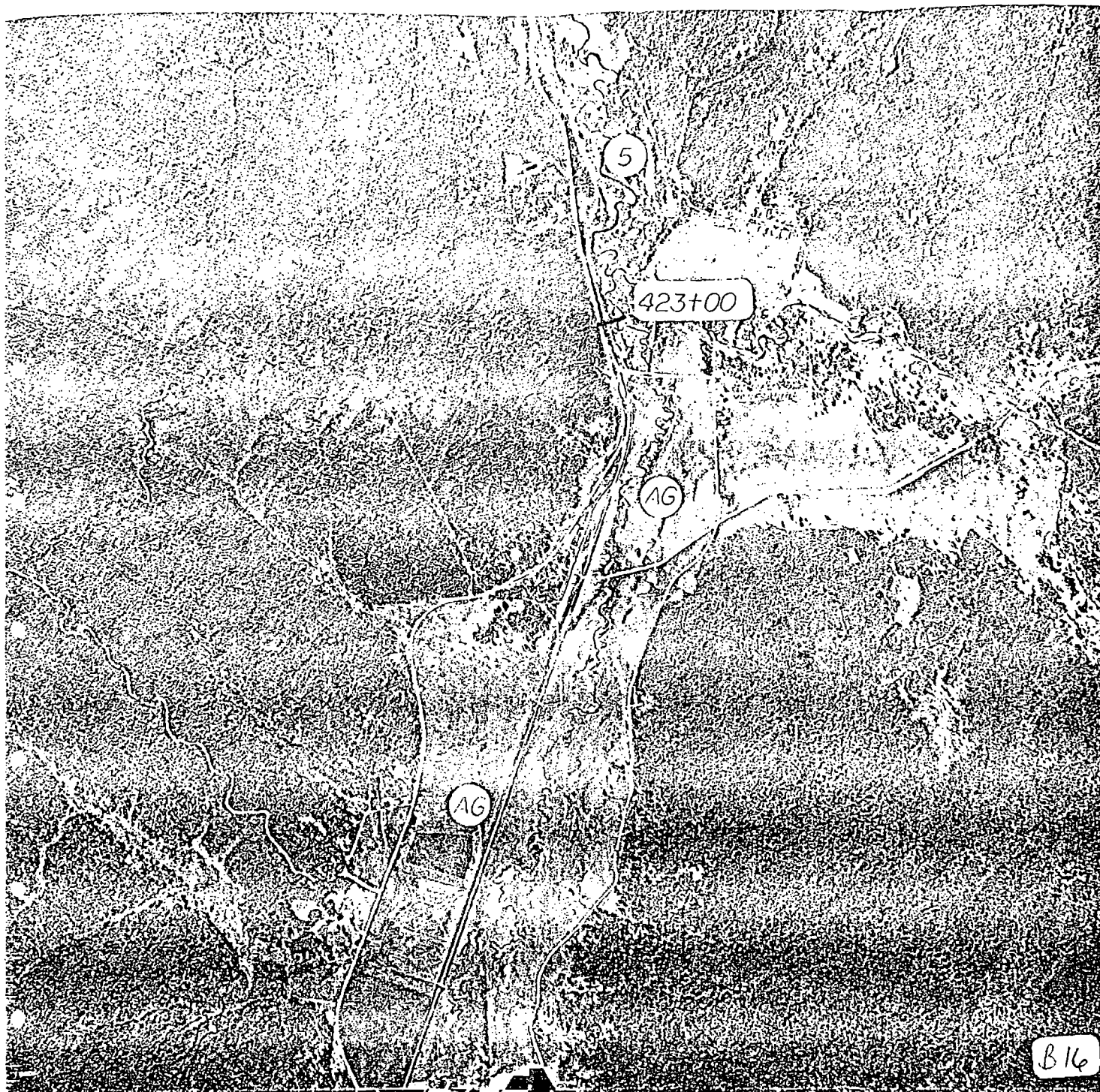
73.86 Ac

T5 6.32 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



2. AERIAL PHOTOGRAPHS (CONTINUED)



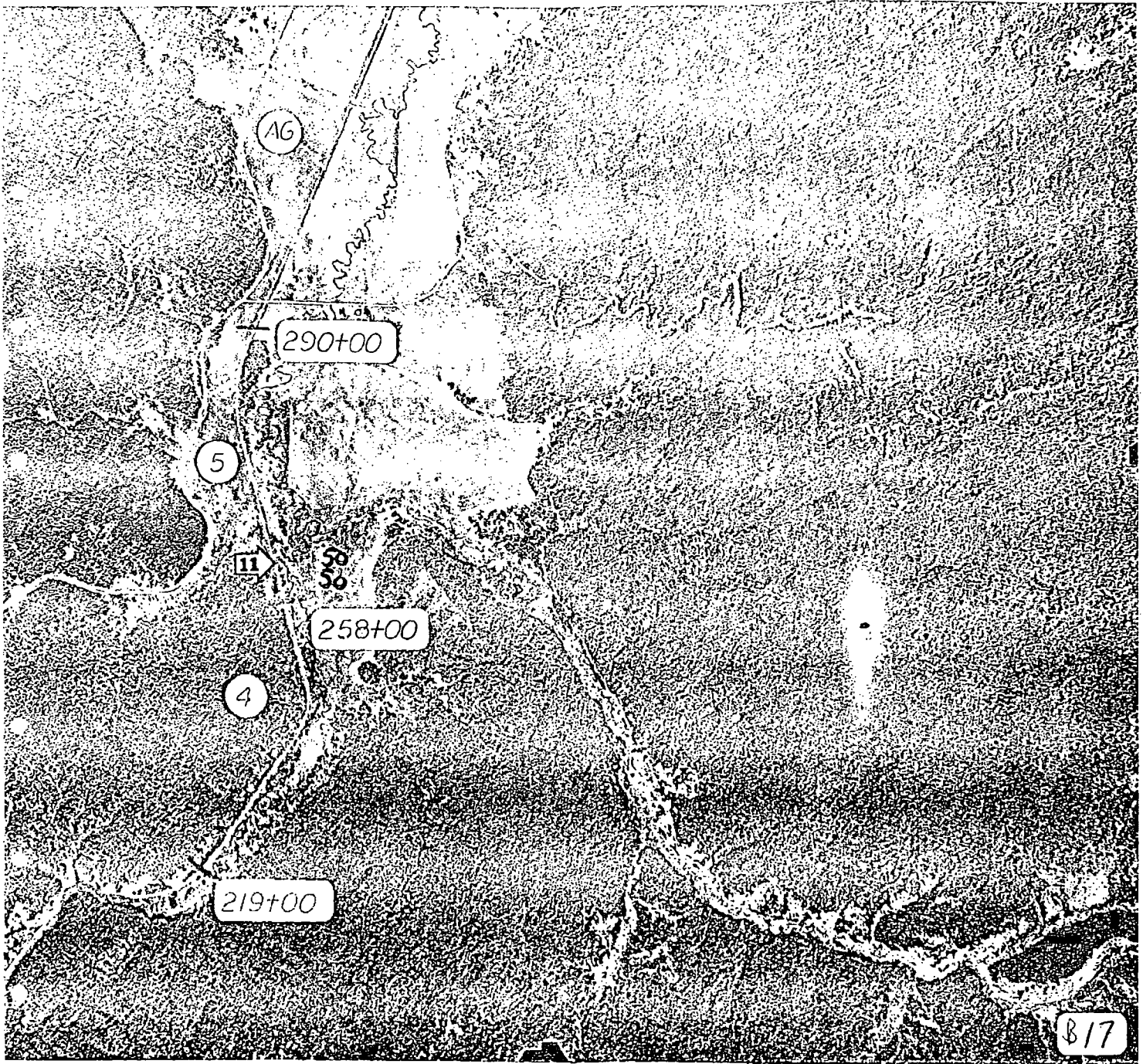
Station 423 + 00

to 290 + 00

35.34 Ac

Agricultural

2. AERIAL PHOTOGRAPHS (CONTINUED)

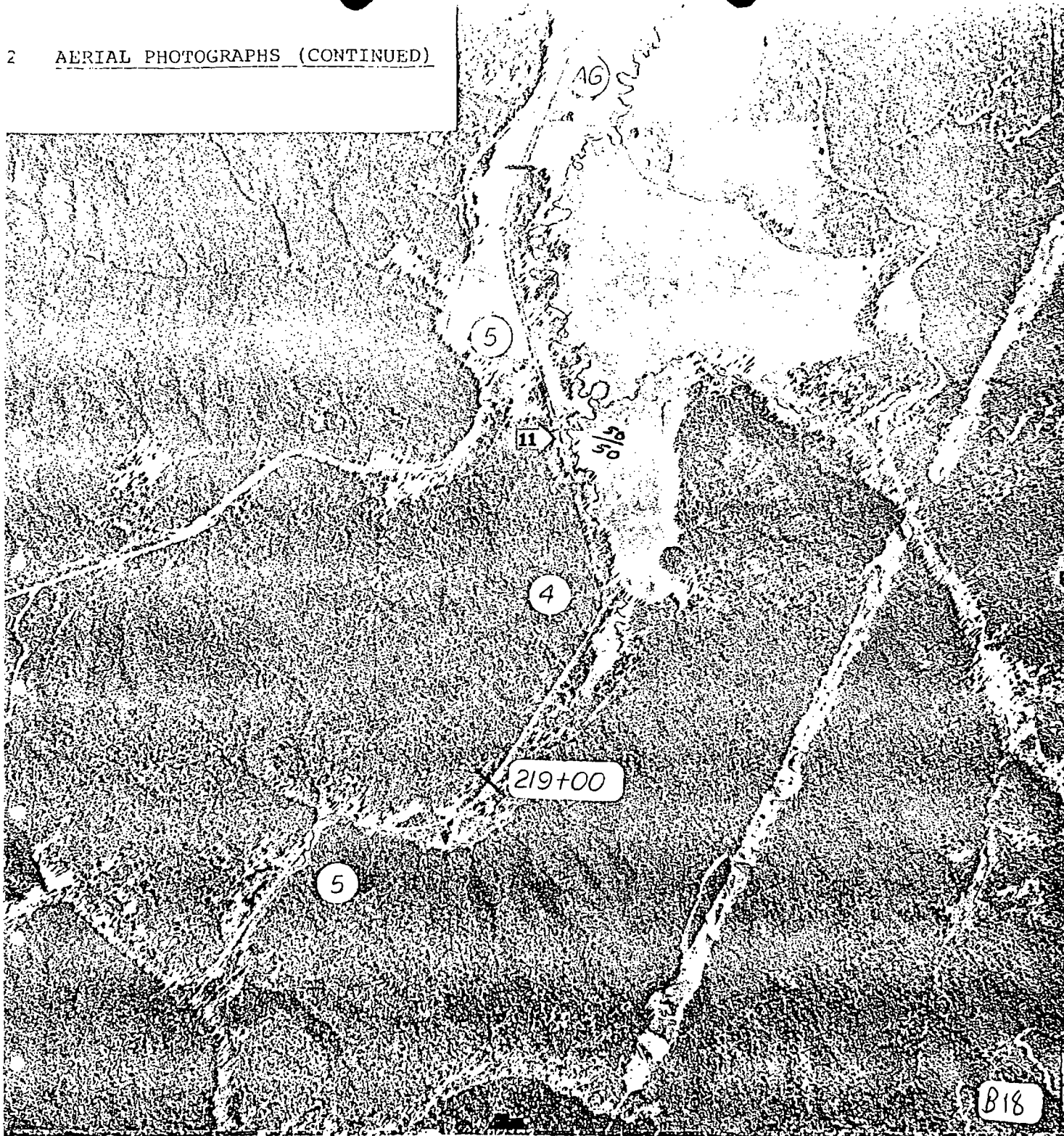


Station 290 + 00
Station 258 + 00

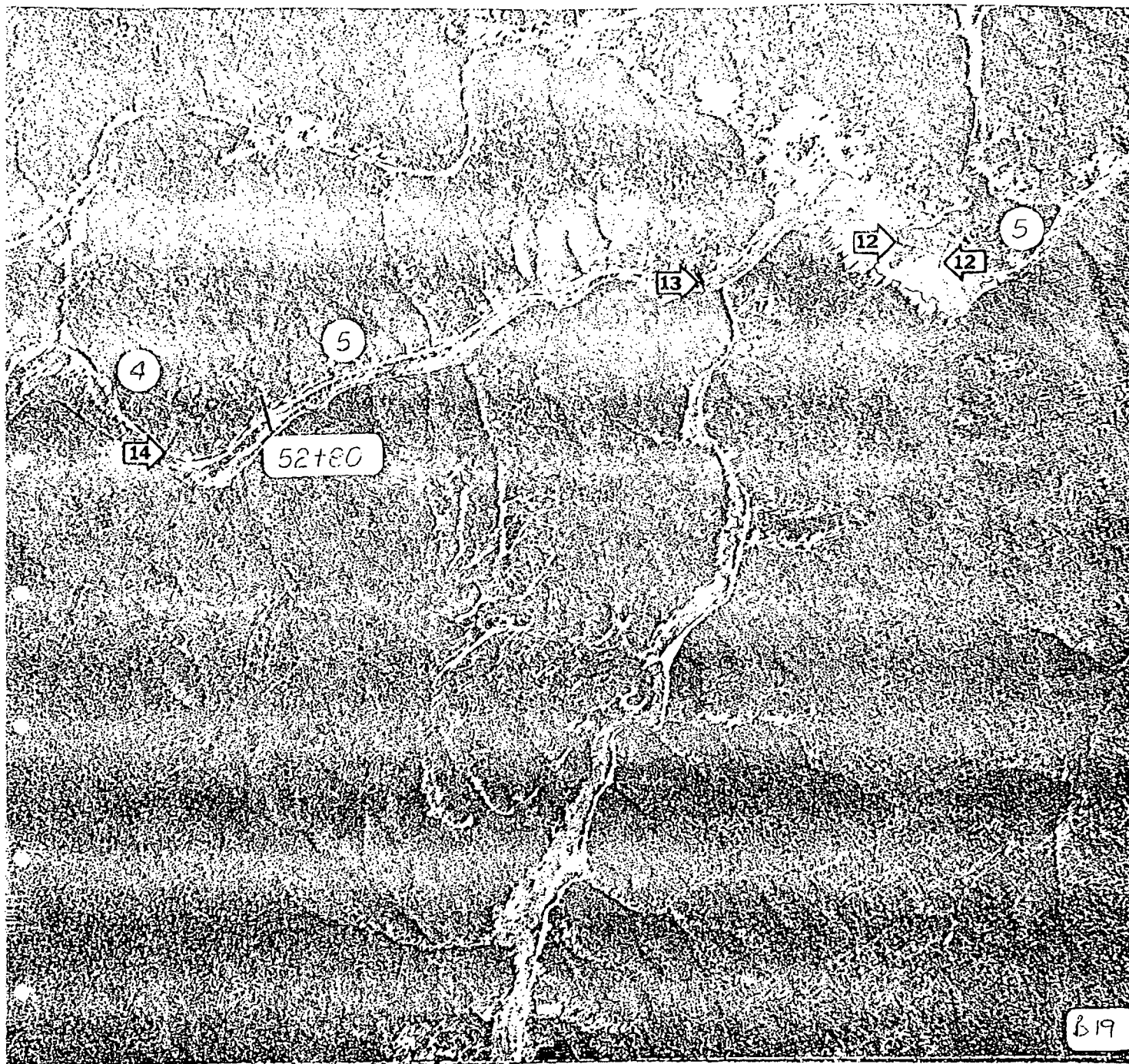
to 258 + 00
to 219 + 00

7.81 Ac
9.64 Ac

T5 1.47 Ac
T4 1.79 Ac



2. AERIAL PHOTOGRAPHS (CONTINUED)



Station 219 + 00

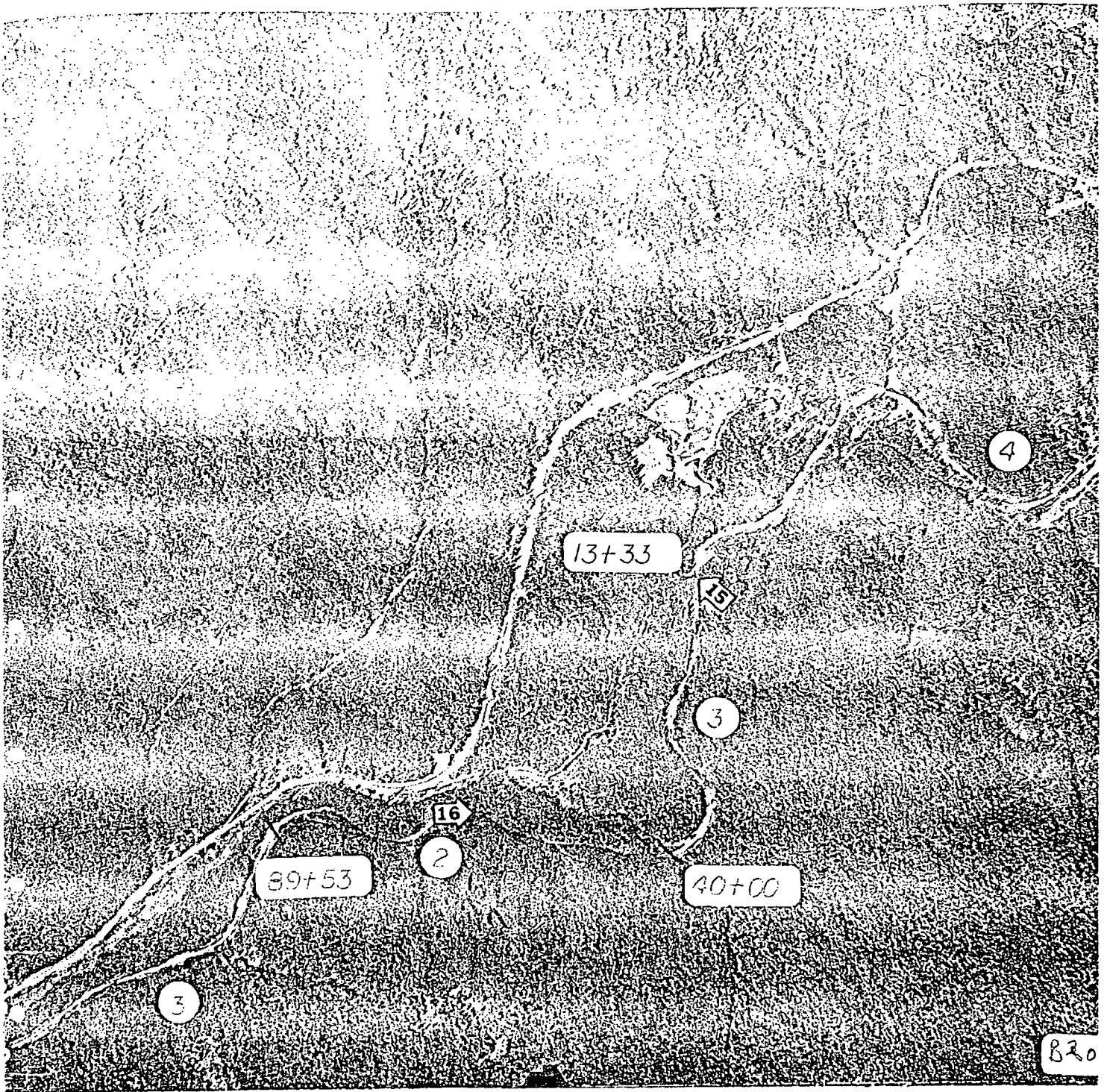
to 52 + 80

52.65 Ac

T5 4.64 Ac

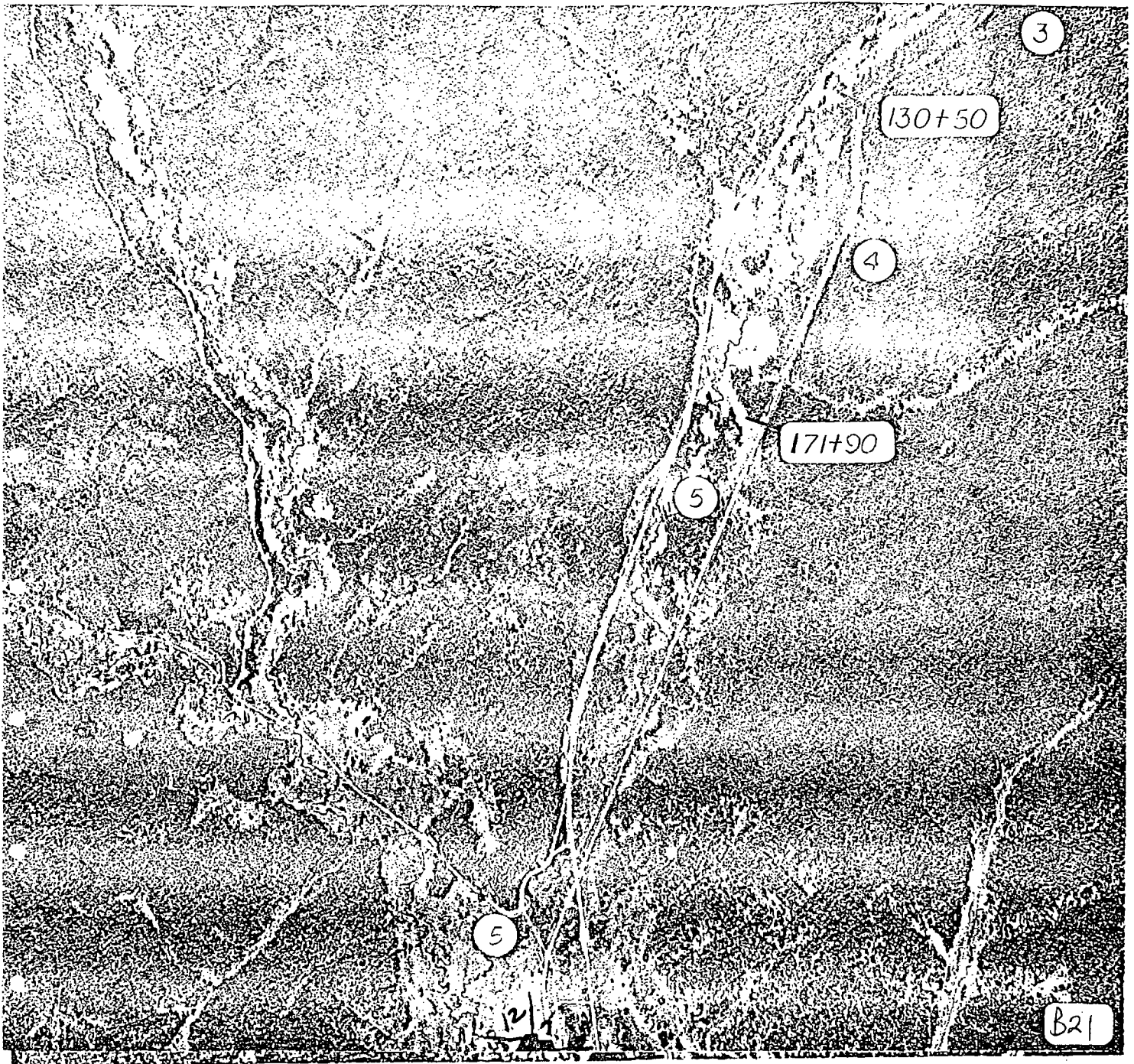
BRANCH SHEET 19

2. AERIAL PHOTOGRAPHS (CONTINUED)



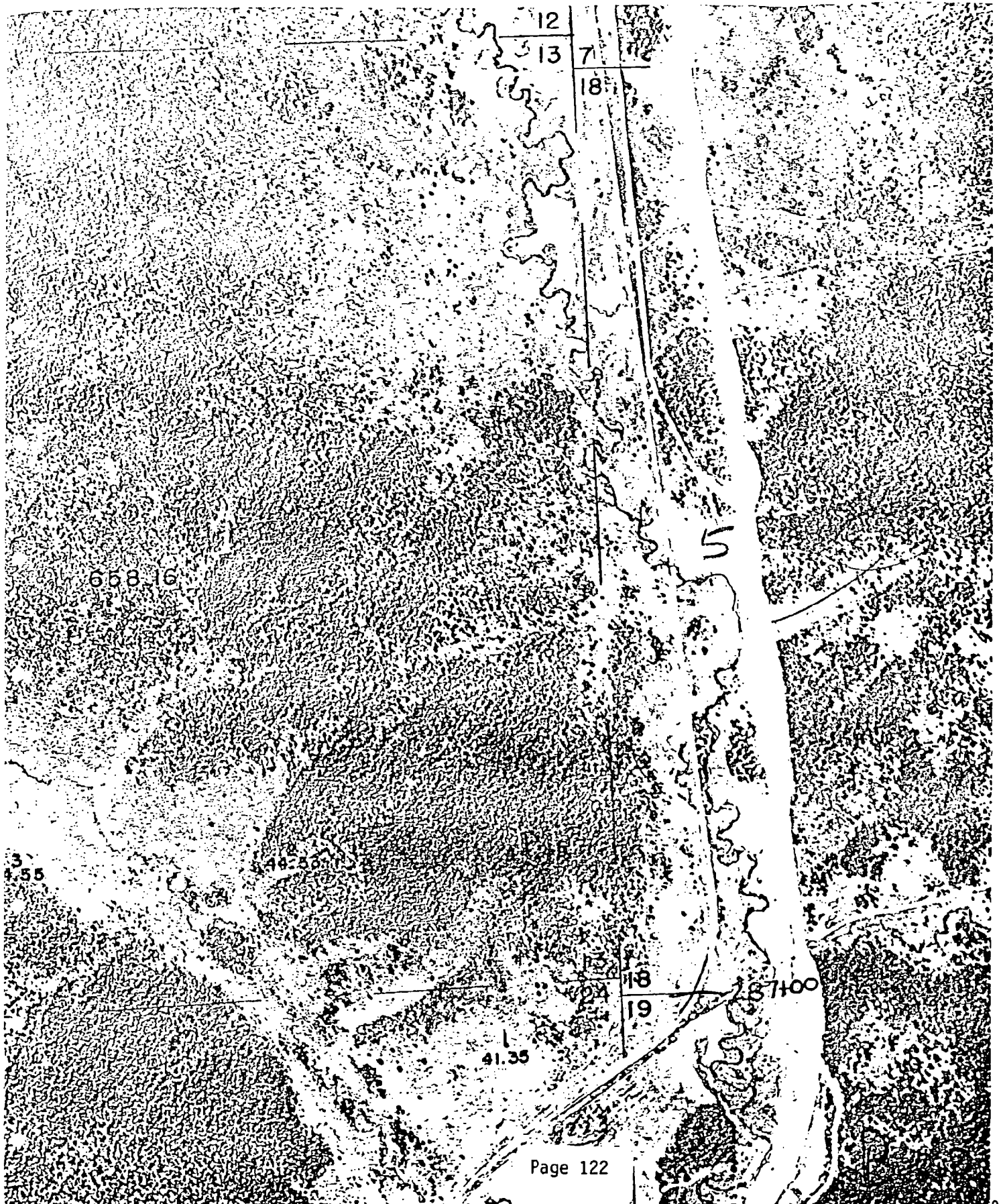
Station 52 + 80	to	13 + 33	12.51 Ac	T4 3.04 Ac
Station 13 + 33	to	40 + 00	19.44 Ac	T3 1.67 Ac
Station 40 + 00	to	89 + 53.85	18.95 Ac	T2 2.48 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)

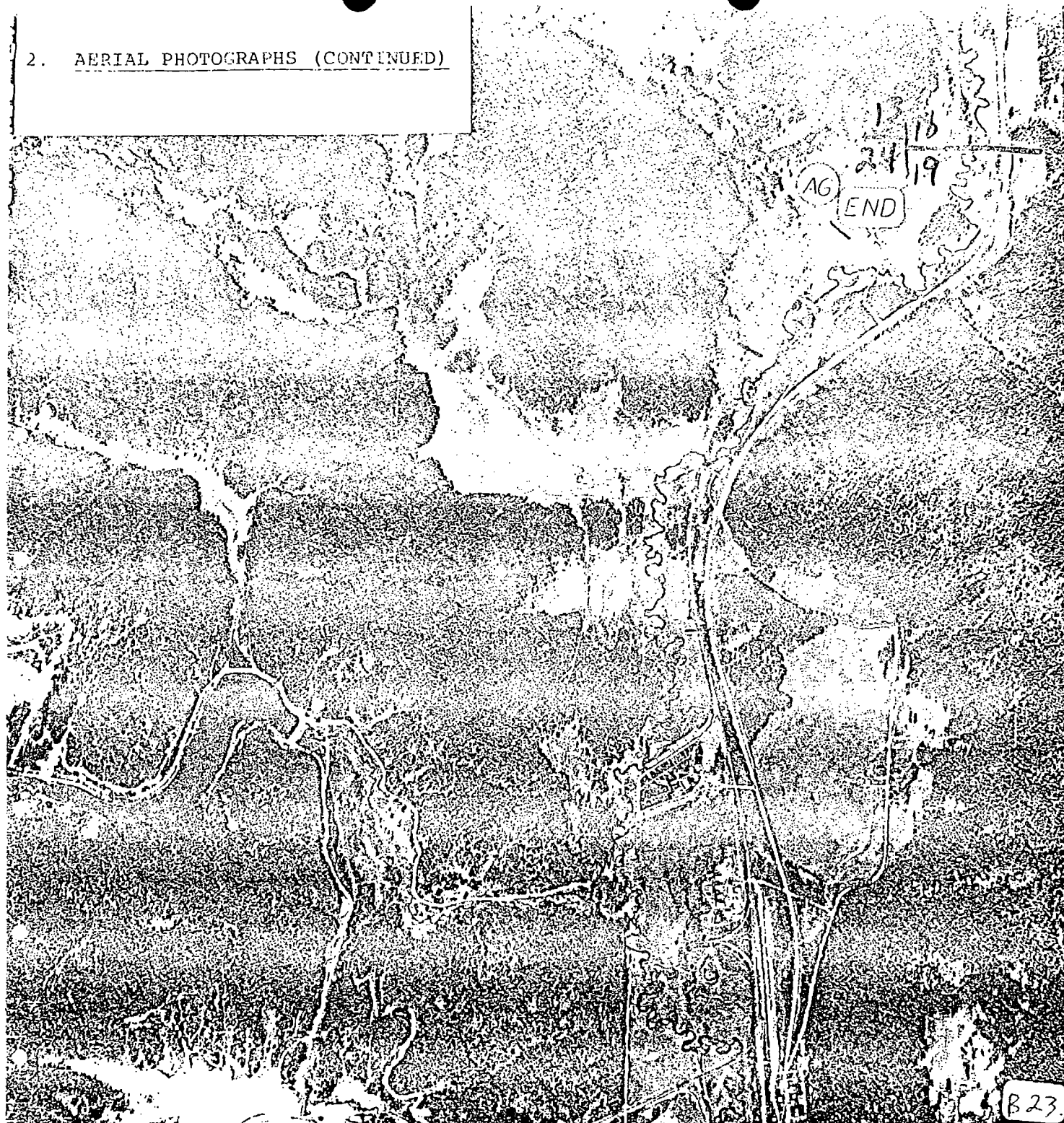


Station 89 + 53.85	to	130 + 50	14.13 Ac	T3 3.53 Ac
Station 130 + 50	to	171 + 90	10.16 Ac	T4 2.38 Ac
Station 171 + 90	to	287 + 00	32.13 Ac	T5 6.19 Ac

2. AERIAL PHOTOGRAPHS (CONTINUED)



2. AERIAL PHOTOGRAPHS (CONTINUED)



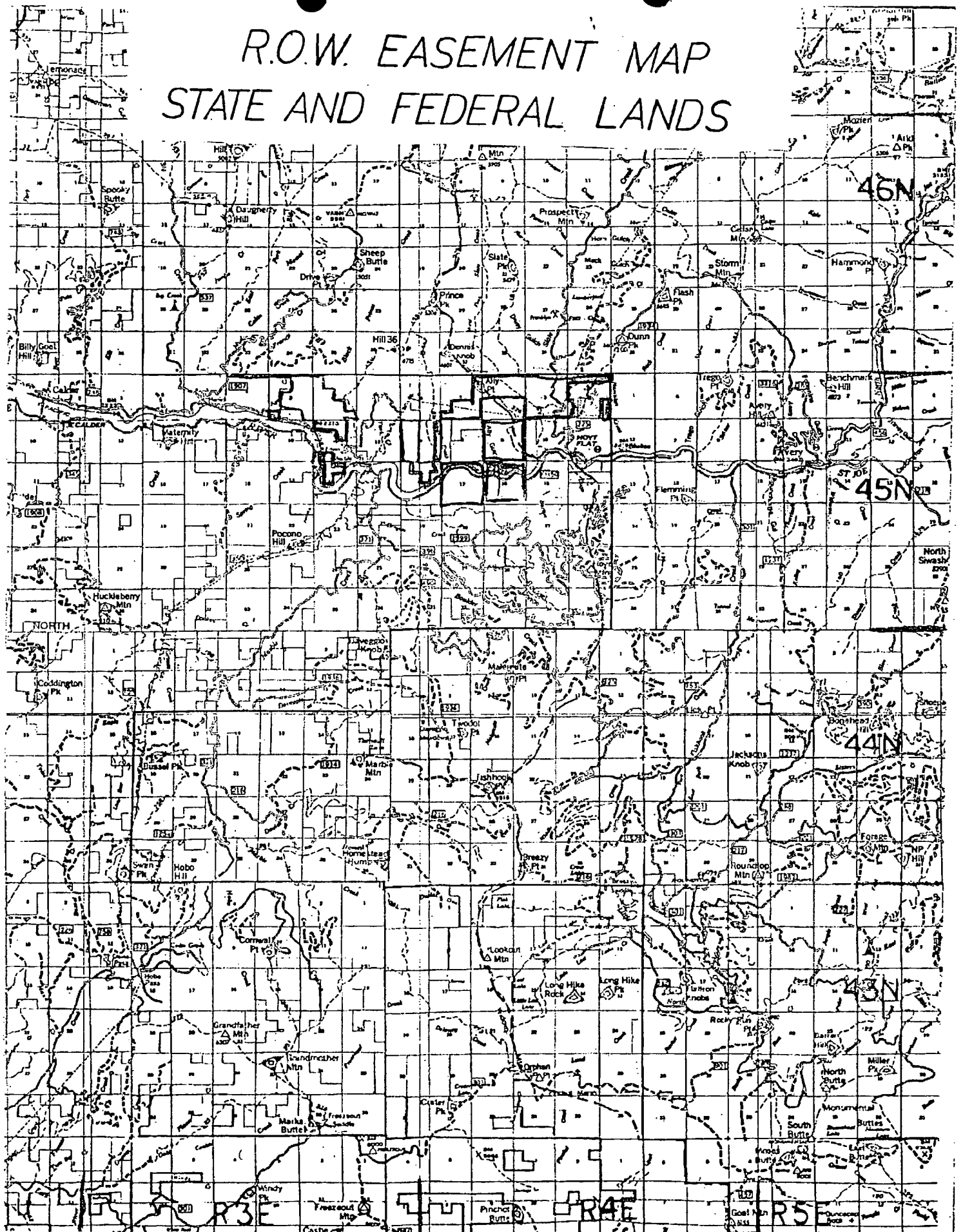
Station 287 + 00 to 301 + 97 + 5 3.44 Ac Agricultural

2. AERIAL PHOTOGRAPHS (CONTINUED)

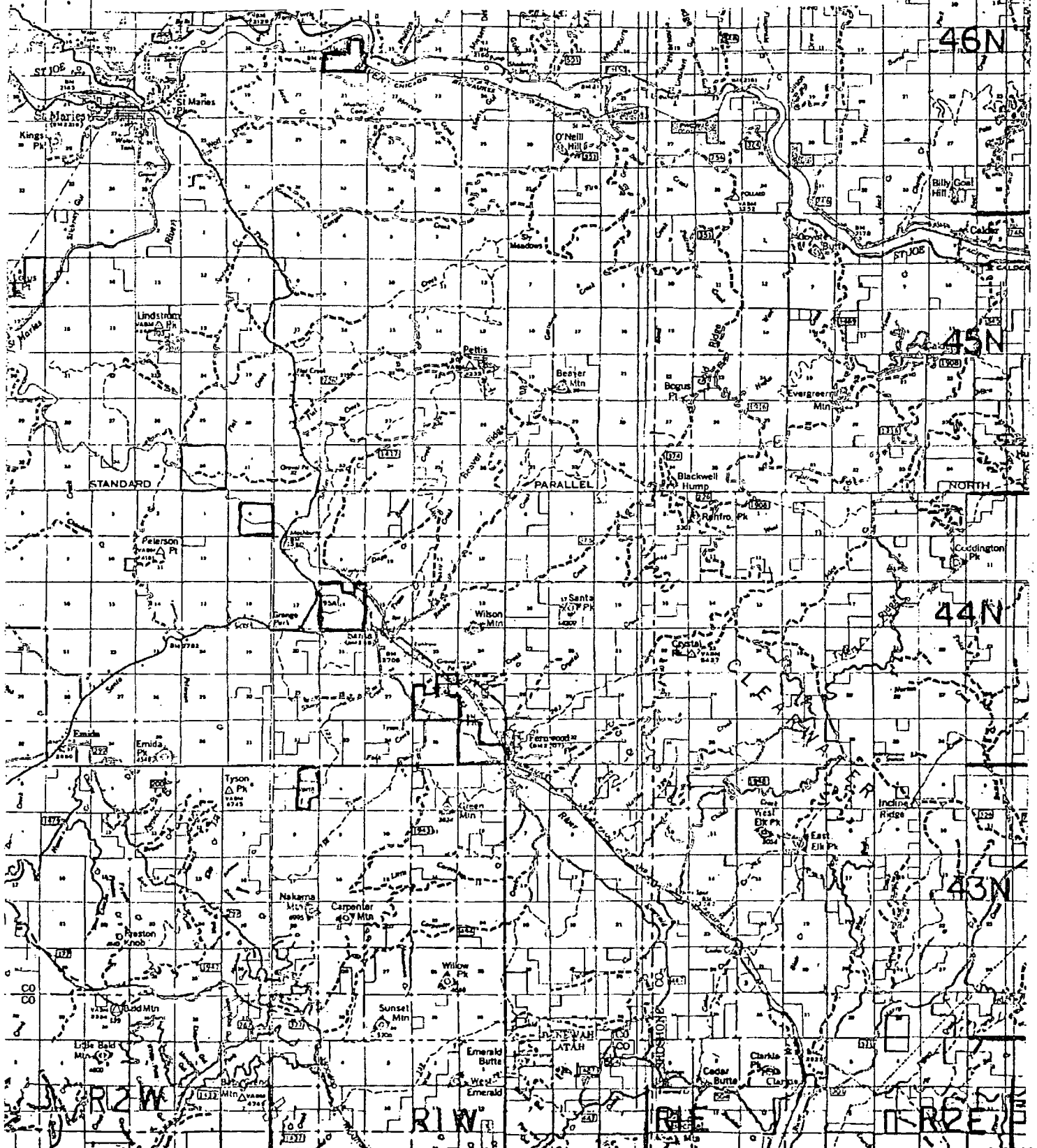


[illegible]

R.O.W. EASEMENT MAP STATE AND FEDERAL LANDS



R.O.W. EASEMENT MAP STATE AND FEDERAL LANDS



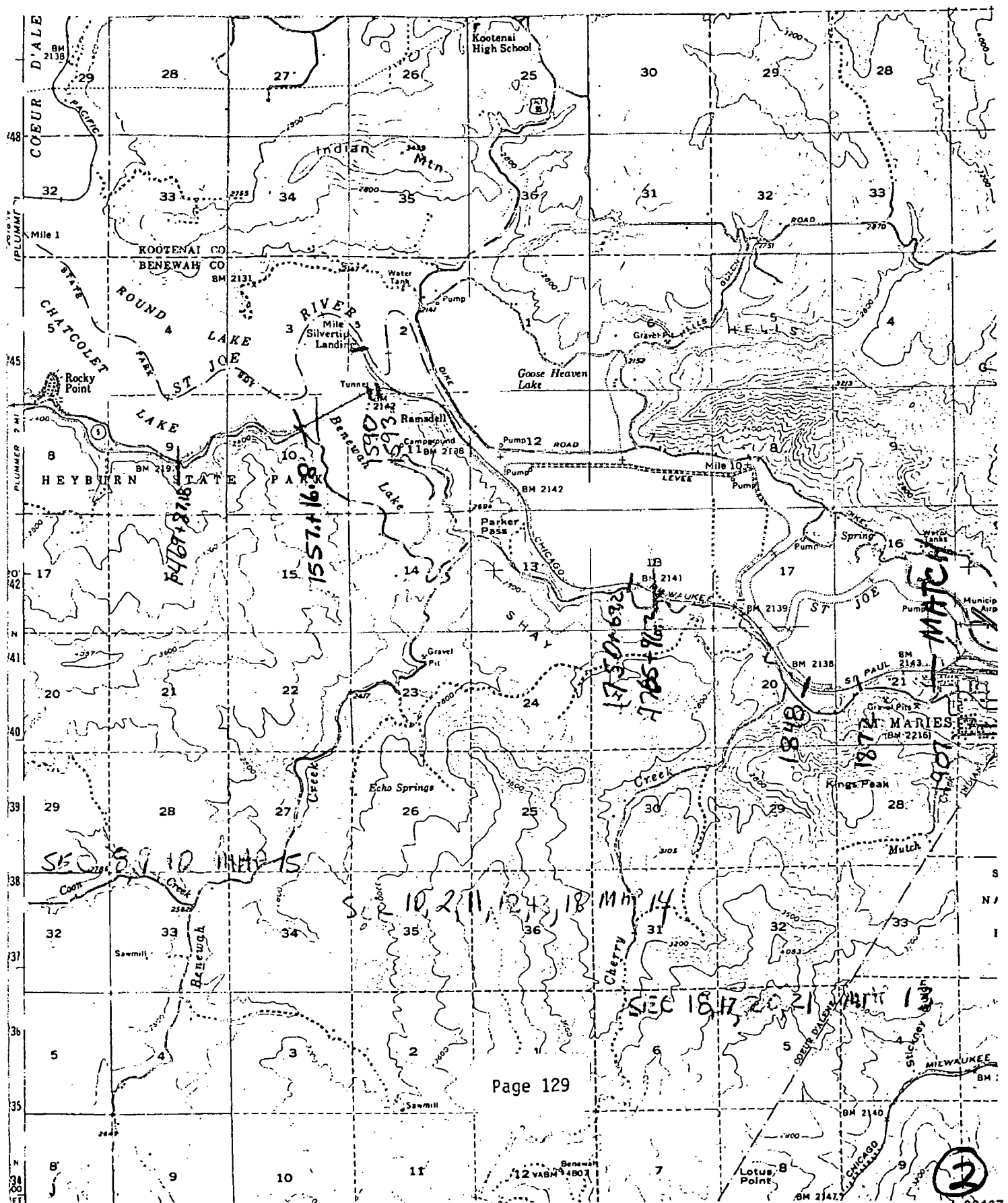
LAND CLASSIFICATION MAP

MAIN LINE



LAND CLASSIFICATION MAP

MAIN LINE (CONTINUED)



MAIN LINE (CONTINUED)



MAIN LINE (CONTINUED)



Mapped, edited, and published by the Geological Survey
Control by USGS and USC&GS


SCALE 1 62500

1 00169

MAIN LINE (CONTINUED)



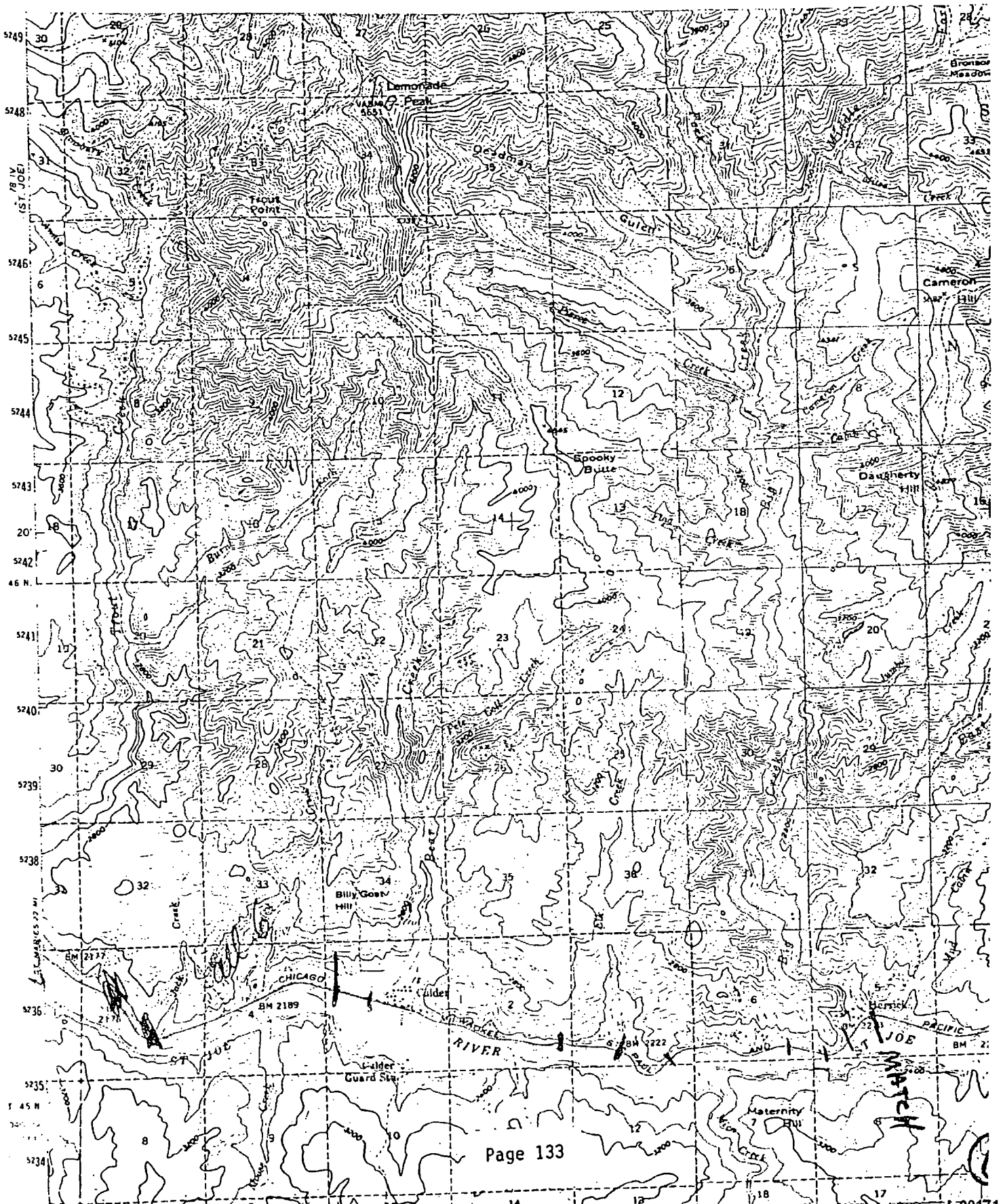
CONTOUR INTERVAL 80 FEET
DATUM IS MEAN SEA LEVEL

 U S Route

I 00170

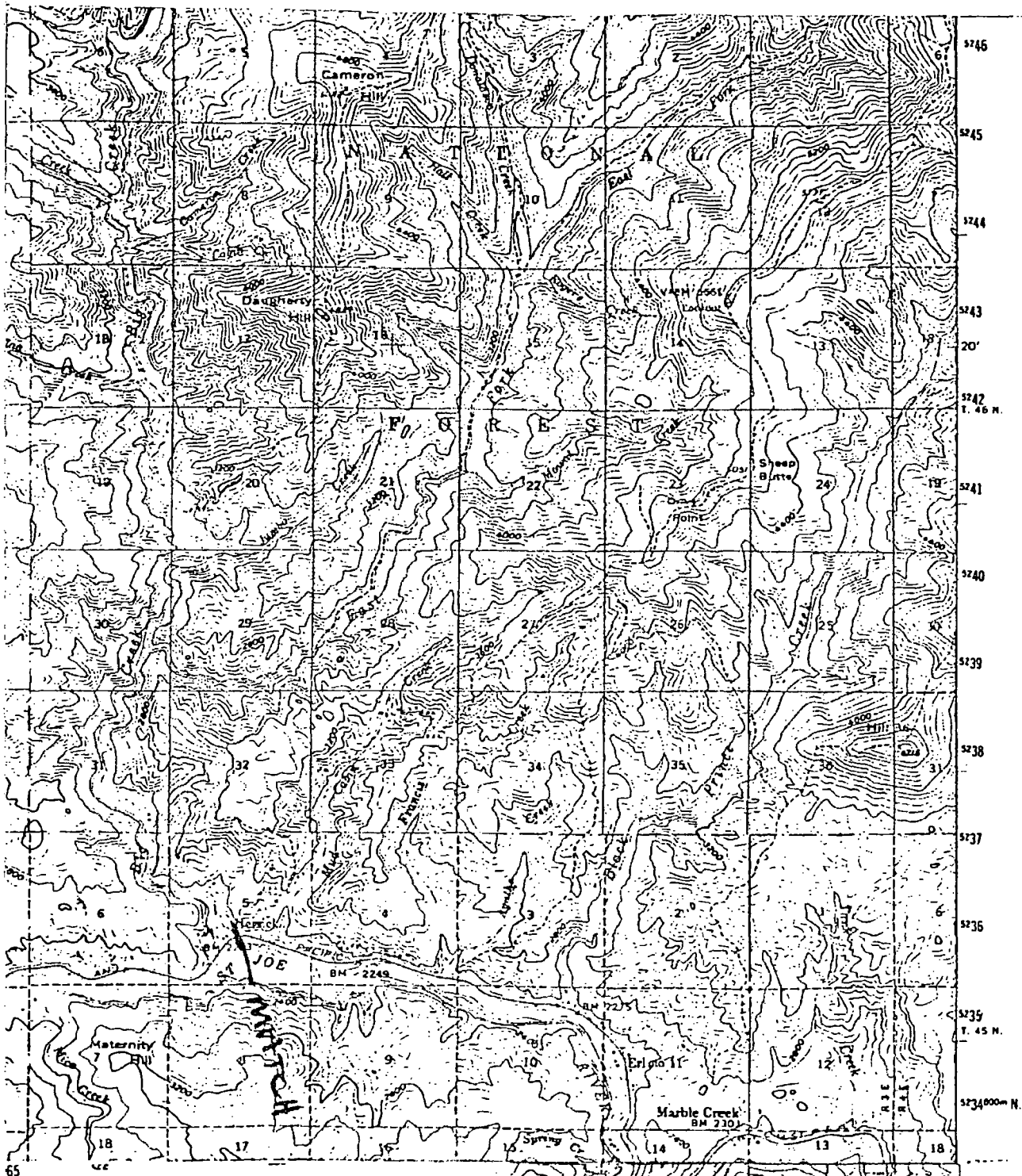
LAND CLASSIFICATION MAP

MAIN LINE (CONTINUED)



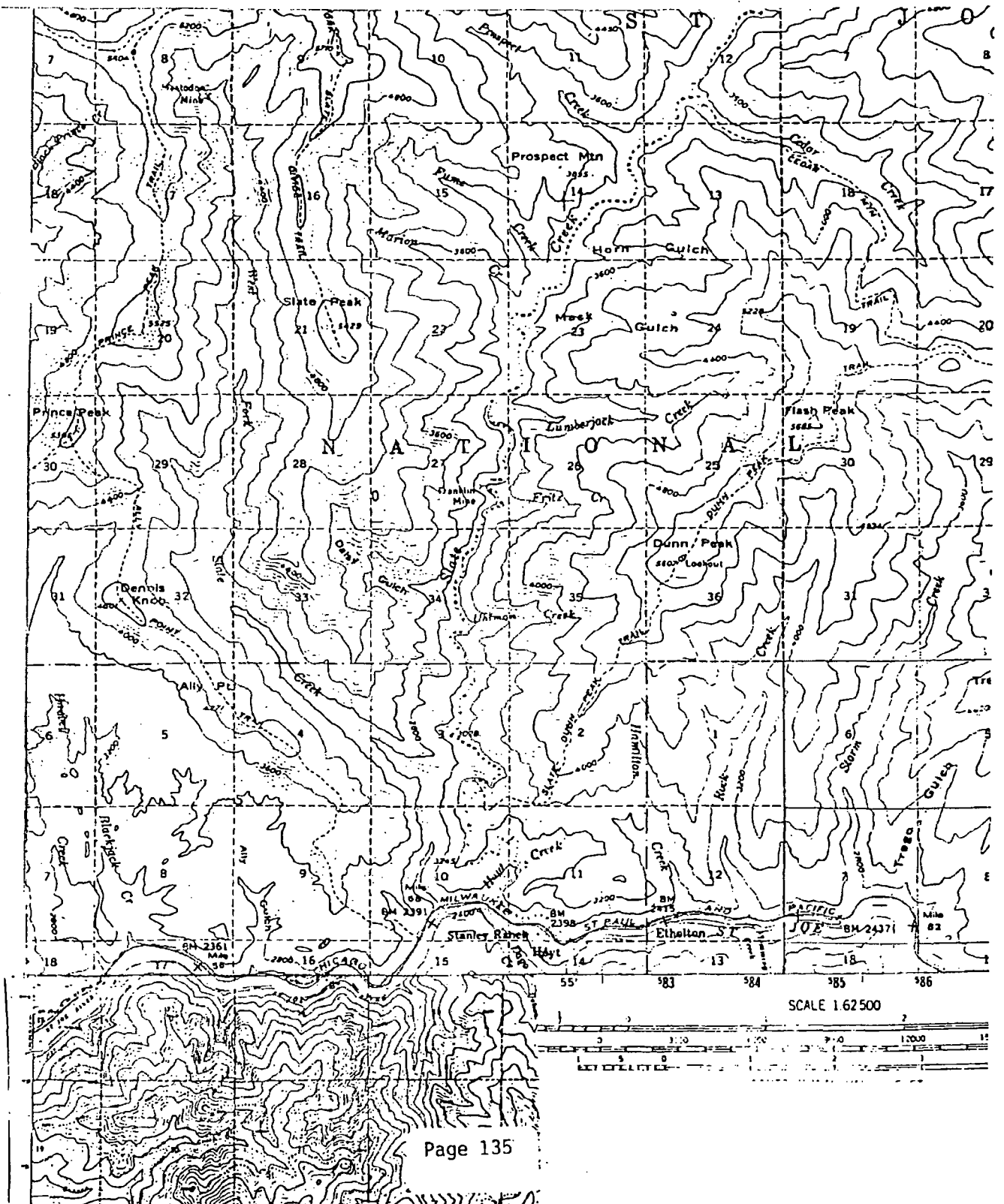
LAND CLASSIFICATION MAP

MAIN LINE (CONTINUED)



LAND CLASSIFICATION MAP

MAIN LINE (CONTINUED)

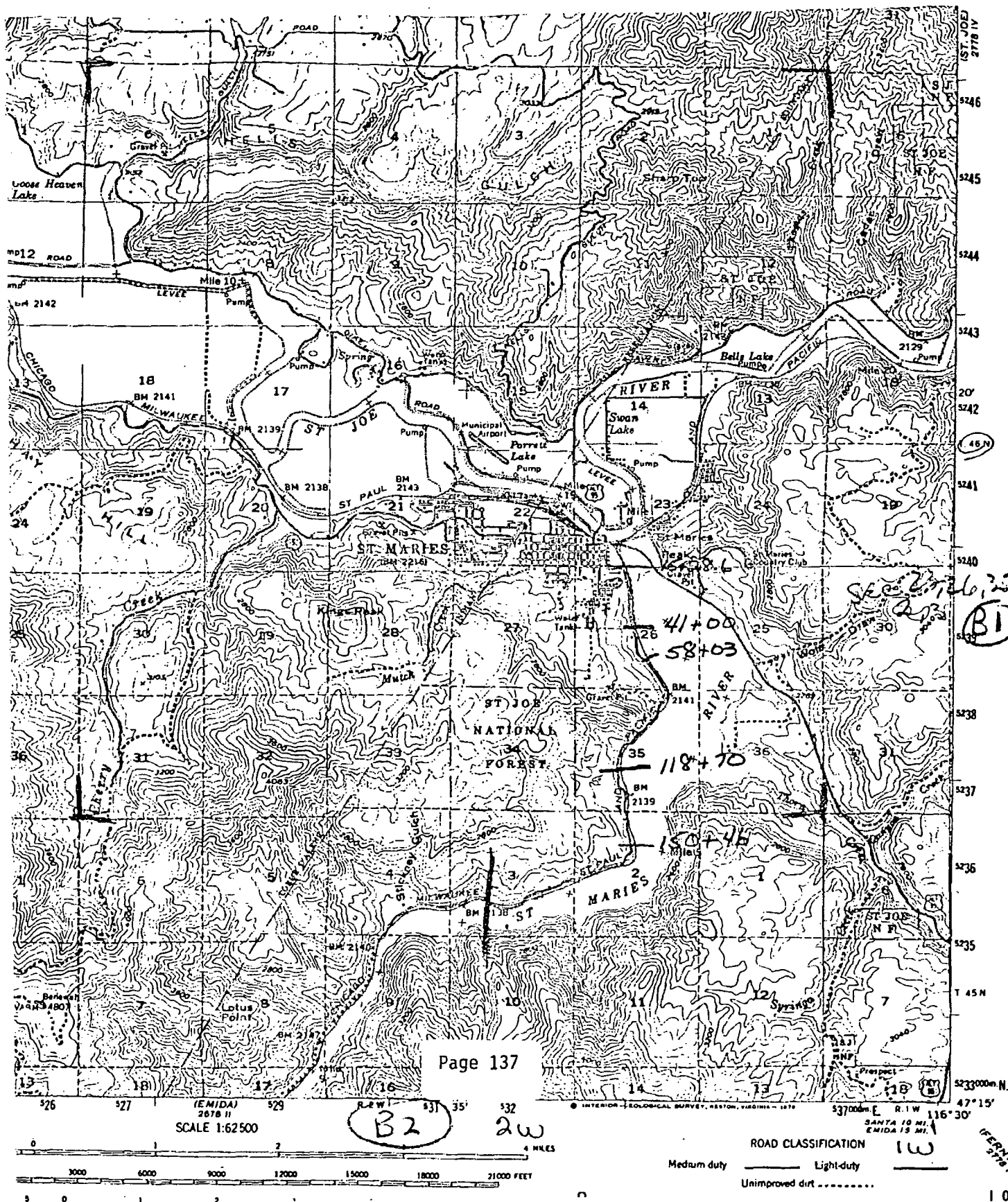


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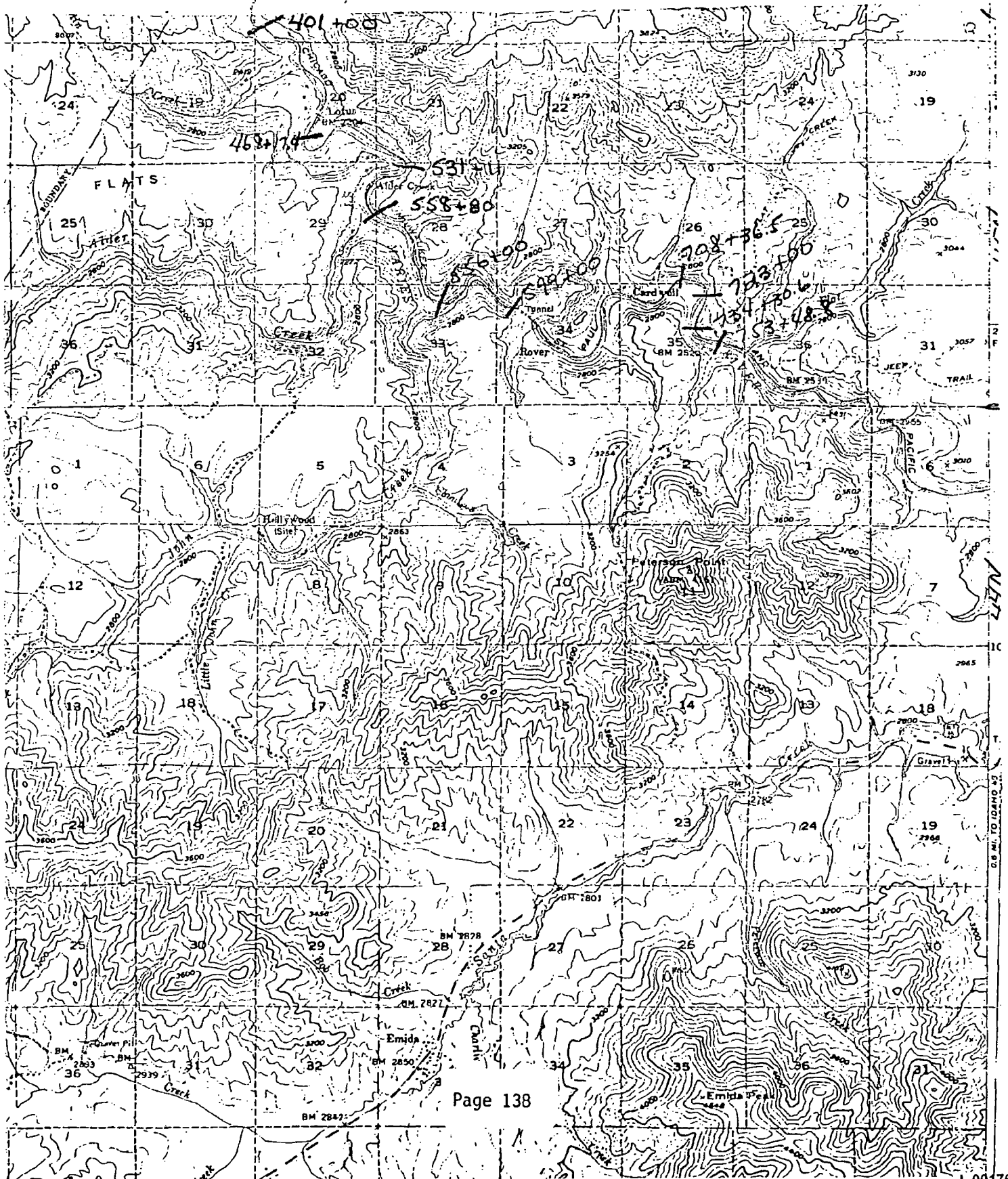
MAIN LINE (CONTINUED)



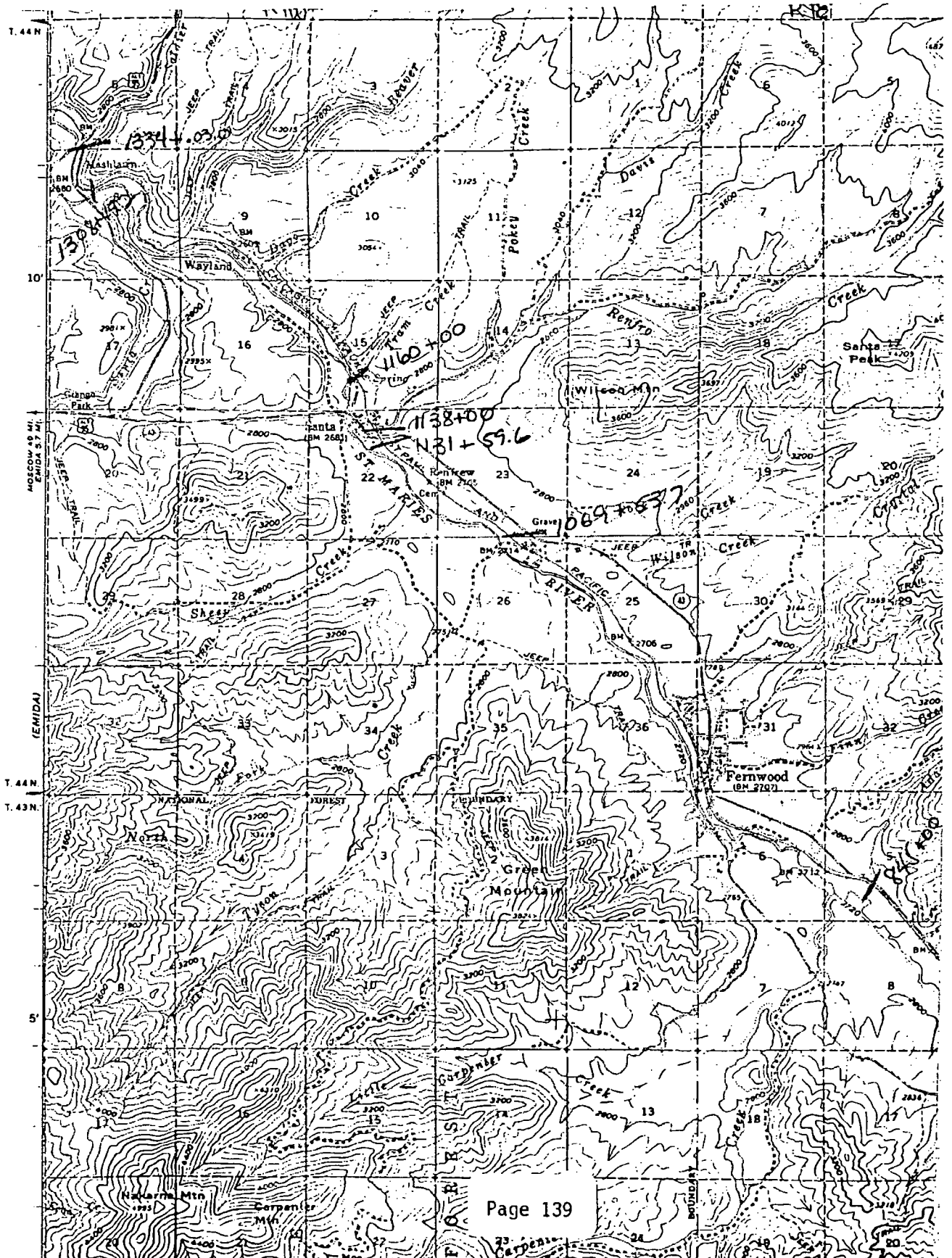
LAND CLASSIFICATION MAP
BRANCH LINE



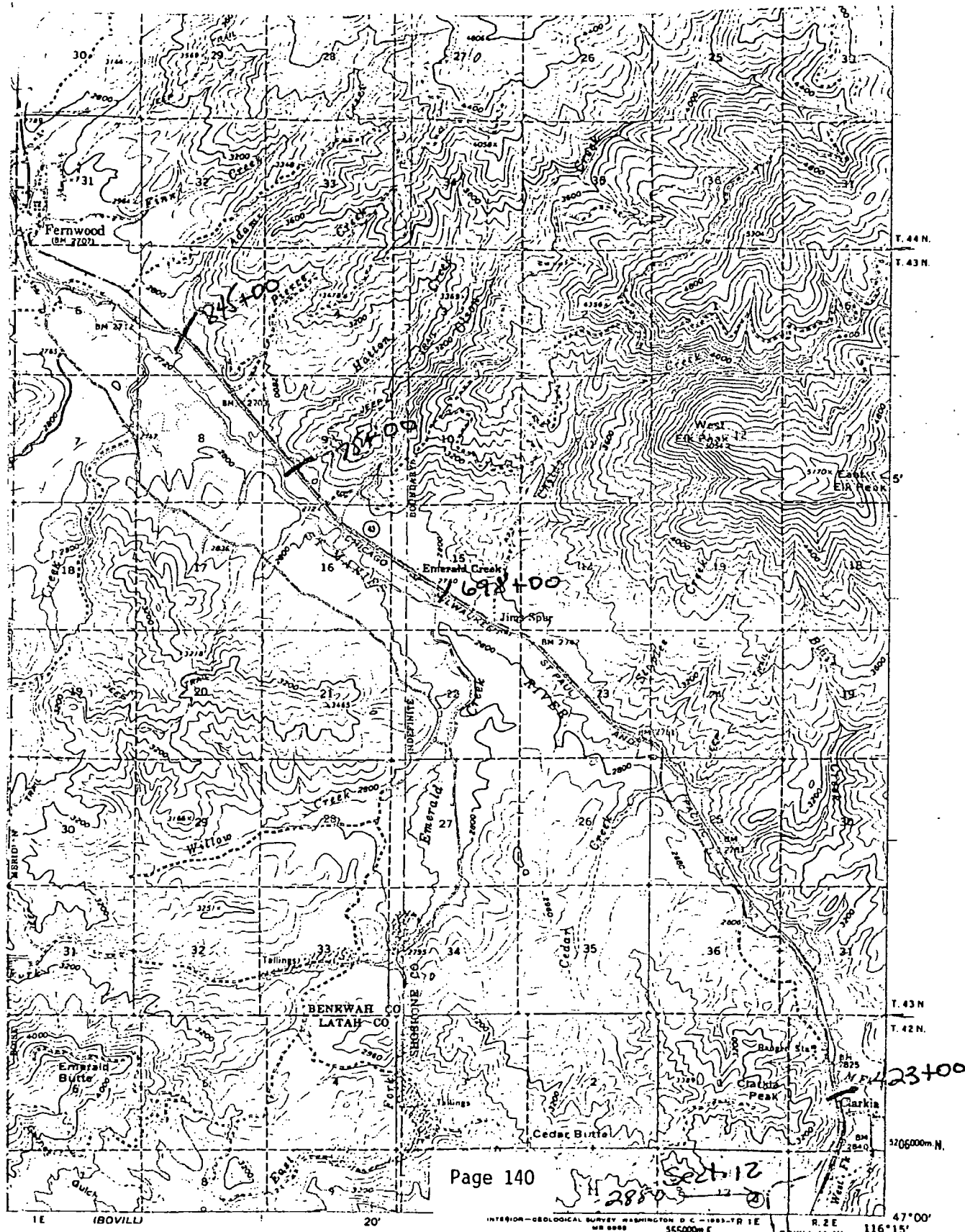
LAND CLASSIFICATION MAP
BRANCH LINE (CONTINUED)



LAND CLASSIFICATION MAP
BRANCH LINE (CONTINUED)



LAND CLASSIFICATION MAP BRANCH LINE (CONTINUED)



Page 140

INTERIOR GEOLOGICAL SURVEY WASHINGTON D.C. 20508
R. 2E BOVILL 10 MI 116°15'

SCALE 1:62500

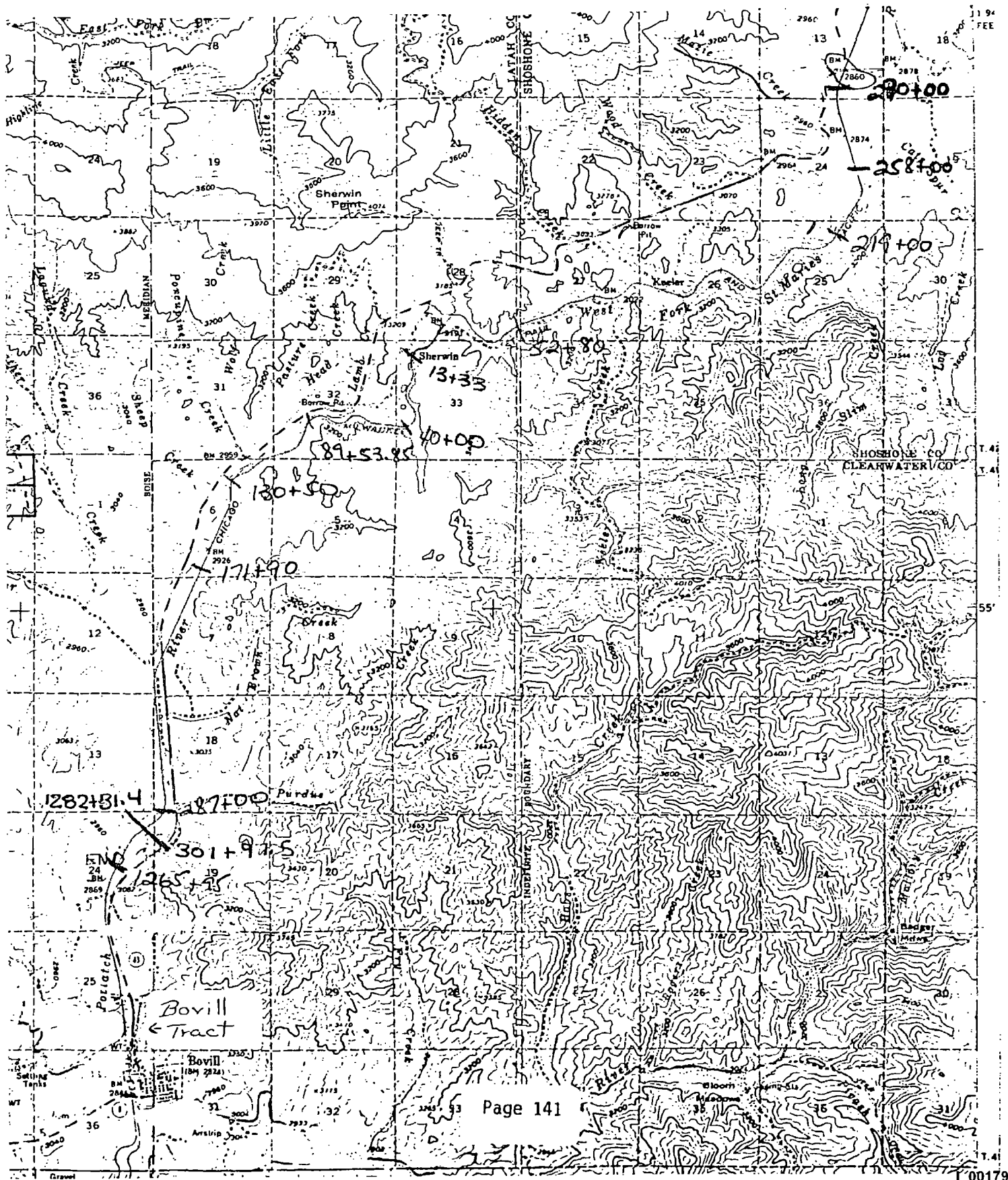


ROAD CLASSIFICATION

Medium-duty Light-duty

I 00178

LAND CLASSIFICATION MAP
BRANCH LINE (CONTINUED)



WESTERN APPRAISALS & SURVEYS

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E. OWNERSHIP HISTORY

The Milwaukee Railroad was constructed through Northern Idaho in the early part of the century. Records indicate land acquisition from 1908 through 1910. The original Milwaukee Railroad development included several sawmills in the area, with one at St. Joe city and one at St. Maries. Most of the essential services for the undeveloped frontier were provided by Milwaukee, including a hospital at St. Maries.

The Milwaukee Road is run in competition with the Great Northern, Northern Pacific and Union Pacific through Northern Idaho. Great Northern and Northern Pacific merged into the Burlington Northern Railroad organization approximately ten years ago, leaving the Road with the least efficient route linking Seattle and the Midwest. Milwaukee Road has operated under bankruptcy receivership during recent months. Milwaukee Road shut down western line operation from Miles City, Montana, west in early November of 1979. Milwaukee Road was reopened due to federal financing.

The Milwaukee Road has sold at least two branch line operations, pending final approval, during 1979.

A barge line connection railroad route between Port Townsend and Port Angeles, Washington, has been sold, as well as the Metaline Falls branch in Northeastern Washington.

Numerous offers to buy segments of the Milwaukee Road have been made, according to newspaper articles, including portions of the Northern Idaho route. These publicized offers include offers from Burlington Northern and Union Pacific, however, no specific routes were identified.

Milwaukee II, an organization of shippers and employees, also has a proposition to reorganize Milwaukee Lines West and maintains

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

E. OWNERSHIP HISTORY (CONTINUED)

it as a continuing portion of the Transcontinental Railroad Network.

This appraisal considers that the Milwaukee Line Transcontinental and Interstate Network will be discontinued and the subject property operated with connection to the Union Pacific Railroad at Plummer and at Bovill by the W. I. and M. Railroad. Under this situation, the main line east of Avery is considered closed.

Potlatch Corporation is the major local shipper from Avery to Ramsdell. Potlatch Corporation is one of the major shippers on the St. Maries Branch Line, with lots from Bovill and Clarkia to Ramsdell. They own the St. Maries Plywood Mill, which is the major industry in St. Maries. The St. Maries plywood operation relies upon railroad shipment for the major amount of plywood shipment. Other local shippers on the St. Maries Branch Line include Diamond International, Idaho Garnet Abrasives Company, Idaho Forest Industries and Scott Paper Company. Other St. Maries shippers include B.J. Carney, Regulus Stud Mill and Edwards Mill. Several grain sidings are also utilized occasionally west of St. Maries.

F. NARRATIVE DESCRIPTION

1. LAND

The subject right of way is a continuous route from Plummer to Avery and from St. Maries to near Bovill. The subject is normally a minimum of 100 feet wide, with larger areas required for special-purpose areas. The railroad normally follows major drainages, with the subject route all in the St. Joe River Drainage, with the exception of the last few miles of the St. Maries Branch Line between Bovill and Sherwin Hill. The west

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WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

1. LAND (CONTINUED)

end is in the Plummer Creek Drainage, connecting to the St. Joe River Drainage route at Benewah Lake.

Beginning at Plummer, the subject property is in the Plummer Creek Drainage, adjacent to some agricultural land. Beginning just west of Plummer, the subject route enters timberland type and travels through Heyburn State Park to the Ramsdell area. From Ramsdell to St. Maries, the route follows the southern edge of the St. Joe Valley floor between the timberland types and bottomland agricultural areas through St. Maries. The main line extends easterly up the St. Joe River Valley and follows the southern edge of the valley floor past St. Joe city into Shoshone County, near Falls Creek. Most of the route between St. Maries and St. Joe city is in timberland type property, crossing only a few agricultural meadow areas.

A railroad bridge crosses the St. Joe River near Falls Creek to the north side of the St. Joe River Valley floor, which becomes fairly narrow the rest of the way east to Avery. A majority of the route from the St. Joe River bridge to Avery is at the foot of the southern exposure hill, with the line mostly cut into the foot of this sparsely timbered hill, but partially filled across the valley floor, which is primarily cottonwood and swamp land.

The St. Maries River Branch Line begins at St. Maries, travelling southerly up the St. Maries River Valley, which is swampy land partially diked and utilized as cultivated agricultural land, but is mostly swamp land and grazing land.

The railroad route follows the western side of the valley floor south, approximately seven miles to near Lotus, where the route crosses the St. Maries River.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

1. LAND (CONTINUED)

The St. Maries route is a rugged meandering stretch from Lotus to Mashburn, accessible by seasonal roads only. The St. Maries River Valley, from near St. Maries to Santa, is a primarily narrow, winding gorge, with the railroad route meandering through fair to poor timberland types.

From Santa to Clarkia, the St. Maries River Valley is wider and the terrain changes to partially agricultural in nature. From Santa to Clarkia, several sawmill operations, as well as a pulp chip operation and a garnet mill, are located along the right of way, specifically situated in order to utilize railroad transportation. The majority of the region is timberland type; however, the right of way follows the St. Maries River route through swampy areas as well as some areas cleared for agricultural use. At Clarkia, the valley floor widens into a larger, natural meadow area. At the southern end of the Clarkia meadow area, the subject route re-enters timberland type. The route continues to the Sherwin Hill Summit. The Sherwin Hill route includes the best timberland type areas along the entire route. The subject descends from the Sherwin Hill Summit south toward Bovill, re-entering meadowland type at the termination of this ownership at Purdue Station.

A 1.73 acre tract which is included in this appraisal is located within the W. I. and M. and Potlatch Corporation ownership in the Bovill railroad yard. This tract is an odd-shaped, near level tract, 100 by 545 feet plus 15 by 1,400 feet in area.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

2. IMPROVEMENTS

No improvements are considered in this appraisal.

This appraisal considers land value of the subject route only. The subject site is improved as an operating railroad and associated properties, including roadbed preparation and ballast trackage, bridges, signals, communication wires, depot and maintenance buildings.

G. HIGHEST AND BEST USE

The highest and best use of the total CMSTP&P (Milwaukee) Railroad system for the Milwaukee Line's west section may or may not be for the operation of a railroad. This appraisal considers that the main line Milwaukee road from Avery east will be abandoned and closed. The subject section of the entire railroad system will be used for local traffic only. All or part of the subject Milwaukee Railroad right of way could be used for other types of traffic.

Operation and maintenance of the railroad is evidently considered to be prohibitive by the Milwaukee Railroad due to high operating costs, shipping, regulation, competition, the cost of reconditioning the railroad, and other factors. The subject railroad, designed in the early part of the century, is obsolete from several standpoints, as well as having trackage and other improvements that have been badly neglected and are in reportedly extremely poor condition. Although many theories exist as to the cause of numerous wrecks on the Milwaukee Road in the St. Maries area, the most valid explanations consider the poor condition of the tracks and the fact that the railroad has never been updated from its original design for forty foot cars and the shorter trains of yesteryear.

The highest and best use of the subject railroad on its own merits may be for abandonment and resale of the property on a captive market basis to adjacent owners and speculators. This type of sale would also allow salvage of the rails and equipment. It is doubtful that the bridges would have a positive salvage value.

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WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

G. HIGHEST AND BEST USE (CONTINUED)

In consideration of the industry located along the subject railroad and shipments of logs destined for Coeur d'Alene area mills, it is required that the highest and best use of all or part of the subject be for continued operation as a railroad. It is estimated that operation of the subject railroad as an independent local carrier will not find sufficient railroad traffic generated along the subject route to cover costs. There are several major features of the subject railroad that may require renovation or replacement in the near future. The Benewah Lake tressel is reported to be in very poor condition. Replacement of this tressel estimated in excess of \$1 million would probably devastate the financial condition of an independent operator for the subject railroad.

The Milwaukee Road as it has been operating to date is a transcontinental carrier that has apparently found the western portion of the lines to be uneconomic. It is doubtful that any other major carrier would be able to improve the situation to the point of purchasing the line. There are a number of local industries, particularly the Potlatch Corporation, which are anticipated to require continued operation of the railroad.

Therefore, for the purposes of this appraisal, the highest and best use of the subject is as a continued right of way. The most obvious use would be as a railroad; however, log haul roads and surplusings of unnecessary portions of the subject property are strong considerations. It may be a number of years until surplus properties can be identified, thus the subject property will be considered as a total package in this appraisal.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

H. GOVERNING

1. ZONING

The subject right of way travels through industrial and agriculturally zoned areas in Benewah County and Latah County. The majority of the acreage concerned is considered agricultural or timberland in use and continued use as a railroad is considered the most intense utilization in all classifications.

2. ASSESSED VALUES AND TAXES

Assessed values on utilities are handled by the State Tax Commission. The taxes for 1977 and 1978 are delinquent on the Milwaukee ownership in Benewah County, Latah County and Shoshone County areas. The delinquent taxes are broken down by county ownership and require abstraction as applicable to the specific subject property. The assessed value of the subject railroad has been reduced approximately 15 percent for the 1979 tax year.

The following are delinquent taxes for the total Milwaukee ownership in Benewah County, Latah County and Shoshone County for 1977-78. The tax figures shown do not include the two percent penalty plus eight percent simple interest due. The 1979 taxes are anticipated at approximately 50 percent of the 1977-78 level.

<u>COUNTY</u>	<u>BASE TAXES FOR 1977</u>	<u>BASE TAXES FOR 1978</u>
Benewah	\$51,853.31	\$48,820.21
Latah	\$ 2,577.54	\$ 2,326.72
Shoshone	\$34,691.25	\$29,800.44

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

IX. VALUE ESTIMATE

A. COST APPROACH

The Cost Approach is a valuation technique in which the replacement cost new of the improvements is estimated and then depreciated, yielding a depreciated replacement cost. The depreciated replacement cost is added to the land value, as indicated by the market comparison, in order to establish a Cost Approach value estimate. In the case of the subject property, improvements are not considered and, thus, the Cost Approach is considered inapplicable for the subject appraisal.

B. INCOME APPROACH

An Income Approach has not been completed for the subject property. The uncertainty of the future operation of the subject railroad, as well as the uncertainty of the freight rates and railroad line lease comparison and the division between roadbed improvements, equipment and land, make the Income Approach inapplicable.

C. MARKET DATA APPROACH

The Market Data Approach will be utilized as the only approach when considering the subject property value. Two separate comparisons will be considered under the Market Data Approach. The first approach will be consideration of comparison of the subject railroad right of way to other railroads that have sold. The second approach will consider traditional railroad right of way valuation techniques which utilize "across-the-fence" values, plus an assemblage factor. The "across-the-fence" value technique relies upon a theory that most rights of way rely on utilization of eminent domain rights which allow right of way purchase as the difference between the "before and after"

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

appraisal values of a total ownership. The assemblage factor is an overage allowance for the cost of the acquisition process, including appraisals, acquisition, attorney fees, court costs and related condemnation cost considerations. Traditional assemblage factors range from ten percent in rural areas to one hundred percent in urban locations.

RAILROAD TRANSACTION DIRECT COMPARISON

Investigation of railroad sales include:

Newport to Metaline Falls Route. This is located north of Spokane. The 61.7-mile Metaline Falls Branch Line negotiation took place during 1979, with the line leased to the Port of Pend Oreille at Newport in October of 1979, with an option scheduled to close in December 1979. The line, which includes some industrial land in Newport, sold for \$1,375,000. The land, appraised by Erlin Olson of Spokane as supervised by Carl Schoreder of the Washington State Highway Department, was finally transferred at near the appraisal price, reported at \$734,000 for the 905.99-acre tract. This transaction, which included a \$641,000 rail and machinery consideration, indicates a land breakdown of: ----- \$810 per acre.

The Metaline Falls Branch Line was purchased by the Port of Pend Oreille in order to keep the branch running and maintain operation of the Metaline Falls Mining Industry. The Port of Pend Oreille purchased the railroad with the assistance of federal financing and leases the line out at a minimal rate. This rate would not support the above breakdown value for the land.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

Port Townsend-Port Angeles Line. The Milwaukee road officials have accepted an offer for the sale of this line which connects with Seattle via barge line. The appraisal indicated a land value of \$525 per acre. The actual sale price has never been revealed, but it was hinted the figure would be higher. The difficulty in comparing this sale to the subject is that timberland sales in this area of Washington are in the neighborhood of \$1,000 to \$1,500 per acre, exclusive of timber.

National Association of Railways. This association has assembled railroad sale information concerning numerous transactions throughout the United States. To date, they report no correlation between railroad transactions and land value or total railroad mileage.

CONCLUSION

The direct comparison of railroad sales to the subject right of way does not appear to be feasible based on the lack of reliability. The Medalline Falls Branch was purchased on a subsidized basis.

It is difficult to compare the Port Townsend-Port Angeles line to the subject unless a market study was made in that area to determine the relationships of fair land values. Adding to this the findings of the National Association of Railways, this avenue of the Market Data Approach was discontinued at this point.

"ACROSS-THE-FENCE PLUS ASSEMBLAGE" VALUE ROW VALUATION COMPARISON

The "across-the-fence" valuation technique requires market investigation for adjacent land values. The adjacent land values will be investigated under the three major adjacent land use categories. The major land use type in the subject neighborhood is timberland, while the industrial, agricultural, and other land will be considered separately.

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WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

ACREAGE

The area of the subject right of way has been calculated from the Milwaukee right of way maps. An actual tabulation of the acreage by centerline stations was itemized and can be found for the three sections of the subject right of way within the appendix of this report.

Equations adjusting the centerline length have been accounted for in the computations. As previously discussed, the maps from St. Joe city to Avery were of poor quality, and so this section was calculated with the aid of an electronic digitizer which measured the areas as drafted on the maps. The itemized areas have been organized proceeding west to east for the main line and north to south on the branch line. The calculations are in square foot measurements which were converted to acreage for valuation purposes within the following section of this report.

Snow easements, which exist along the line for the occasional storage of snow removed from the right of way, were omitted from the acreage calculation since it was predetermined that their value was to be negligible. The snow easements' physical dimensions, however, are included by the railroad map page within the appendix.

Right of way easements were included and not separated from the deeded right of way area in these itemized tables. Separate right of way easement summaries are included in the Appendix.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

LAND USE CLASSIFICATION

In order to investigate and record land value classification, a system of maps and aerial photographs was utilized. The series of aerial photographs, included in the subject maps section of this appraisal, is for the main line from Plummer to Avery and for the branch line from St. Maries to Bovill. The land value classification system is identified between the railroad center-line stations, as indicated on each map. The acreage information at the bottom of the aerial photograph pages includes acreage breakdowns by land classification type between the various stations. Acreage is classified as timberland, agricultural or individual land uses.

Timberland is the major land use throughout the subject route. Timberland investigation required a more complete investigation based on the varying capabilities as well as on the standing timber located in the right of way. Based on visual observation, the portion of the subject line classified as timberland has been classified on the Northern Idaho productivity class sytem which includes consideration of both the current timber stand as well as replacement timber capability. The merchantable timber stand on the subject right of way will be considered separately.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

TIMBER VOLUME ESTIMATE

Within the various timberland types along the subject right of way, a system of estimating timber volume was required. In order to estimate the timber volume, random selection measurements and timber cruise samples were completed. The random selections were limited to accessible sites. Two major considerations were investigated. The first was the timberland acreage located on the railroad right of way and the second was to estimate the timber volume per acre located within each timberland type.

The series of sites were selected from both the main line and branch line. They are identified on the aerial photographs in the map section of this appraisal, identified as TC-1 through TC-17 on the main line and TC-1 through TC-16 on the branch line. Several of the final results of the individual timber cruise plots are included in the appendix of this report.

RIGHT OF WAY WIDTH MEASUREMENTS

The width of rights of way was measured from the centerline of the existing line using a clinometer to identify the acreage and allow for correction of angled measurements.

The rights of way measurements were taken from the centerline of the existing main trackage in all cases, with no consideration of railroad centerline adjustment from the original survey. At each location, the distance from the clear area on either side of the railroad trackage was measured to the young growth, undergrowth and the first merchantable timber. The predominant width of the merchantable timber along either edge of the rights of way is from ten to fifteen feet.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

TIMBERLAND VALUE COMPARISON

A search of timberland sales in Northern Idaho from 1977 through 1979 resulted in approximately 40 timberland sales in the subject region. Sale write-ups for each transaction are included in the appendix of this report. Following later in this report is a summary of the various sales and the indicated breakdowns by timber type, volume and timberland value. A direct comparison of stocked timberland indicates a value range prior to time adjustment of from \$200 to \$1,200 per acre. After breaking out the stocked timber based on predominant timber values as of the date of the sales, the timberland value indicates a much closer correlation, considering productivity differences, of from \$40 to \$200 per acre.

TIMBERLAND SALE TIME ADJUSTMENT

In order to update the sales to the date of this appraisal, a time adjustment is considered necessary due to market value changes during the past three years for timberland and timber. A summary of the unadjusted overall breakdowns indicates that the more densely stocked timberland transactions increased at a greater rate than did the poorly stocked timberland transactions. This information, taking into consideration the increase of timber sale prices during the same time span, indicates that land value increased at a lesser rate than did the combined breakdowns.

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

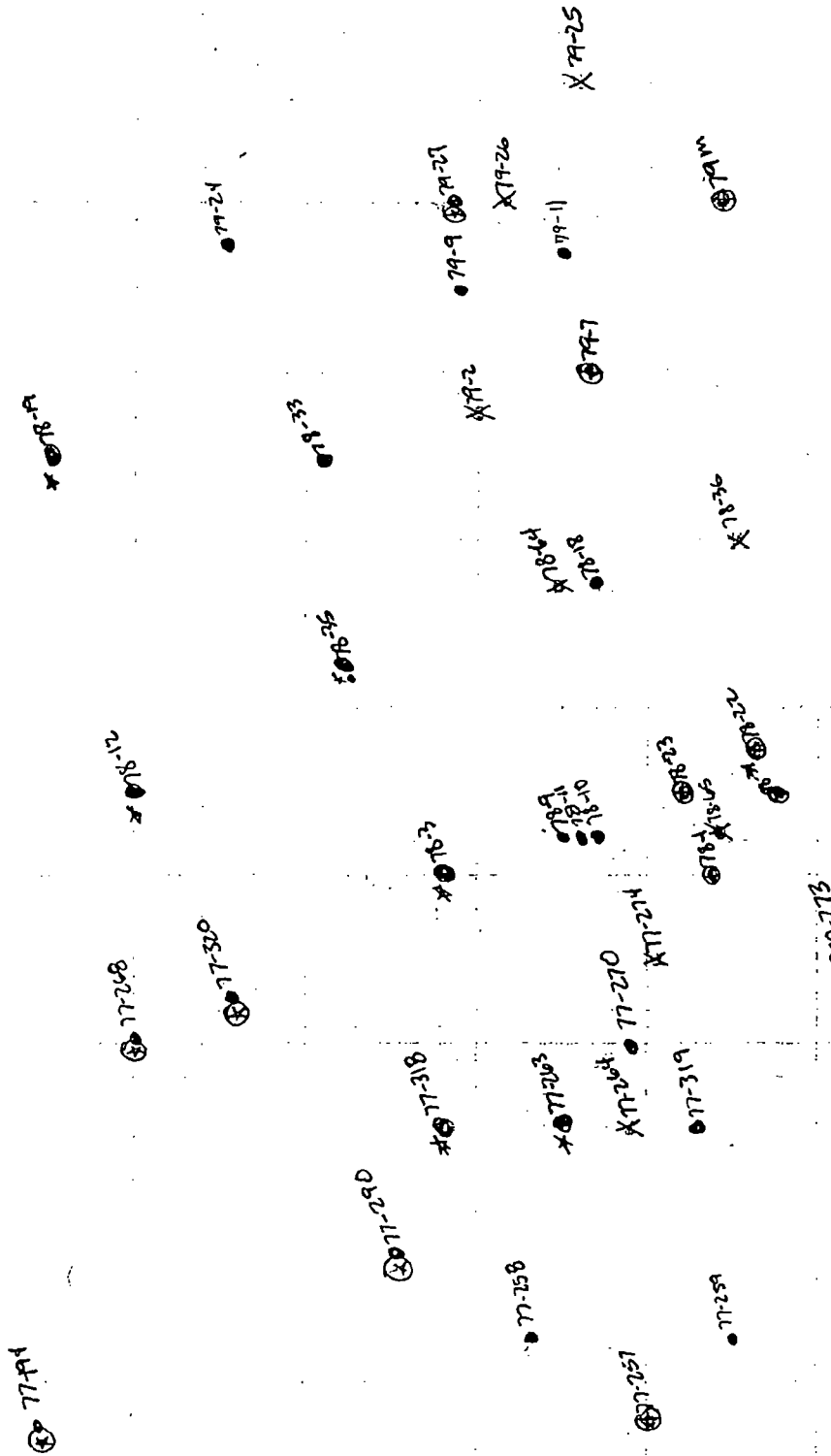
Real estate transactions throughout the Northwest over the same time span averaged near one percent per month on a straight-line basis. Based on these comparisons and agreement with regional experience--the time factor at one percent per month was accepted.

The following presentation shows the timberland sale breakdowns, as well as time adjusted figures and graph presentations.

OVERALL SALES BREAKDOWN

0-3
3-5
5-8
8-12
12-16

Average
Volume
Per
Acres



1 2 3 4 5 6 7 8 9 10 11 12

1979

1978

1977

SALE DATE

OVERALL SALES BREAKDOWN

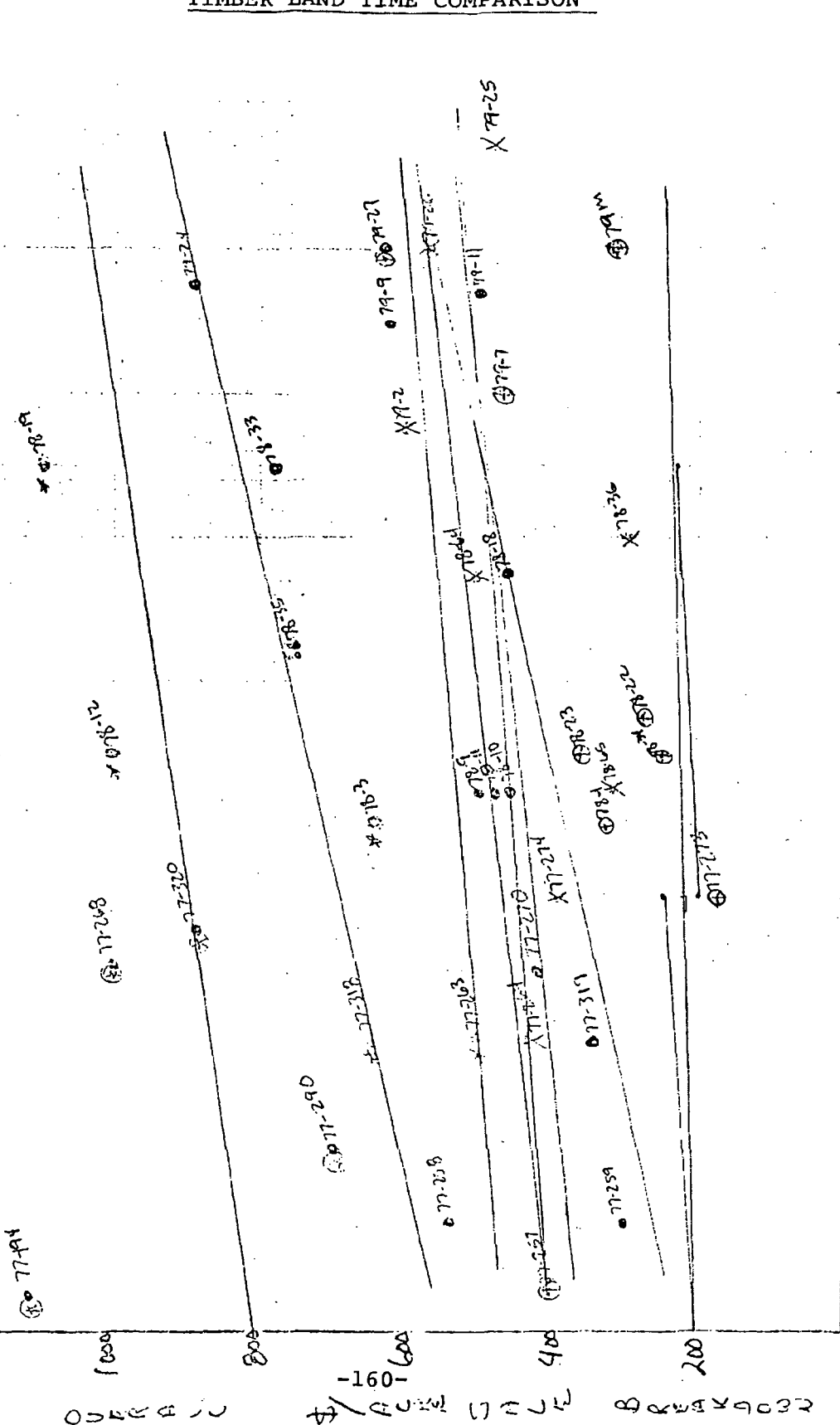
TIMBER LAND TIME COMPARISON

0-3
3-5
5-8
8-12
12-16

Average
Volume
Per
Acre

Better timber (higher volume) timber stand sales show faster increase than lesser stocked sales indicating timber value increase was faster than land value increase during this period.

Conclusion - - Use 1% per month update.



1 2 3 4 5 6 7 8 9 10 11 12
1977 1978 1979

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

# - NAME	DATE	PRICE	LEGAL		TOTAL AC \$/AC	TYPE AC \$/AC	AVE. VOL.	TYPE H/N \$/M	ADJUSTED		
			CO.	S-T-R					OVERALL \$/AC	TIND \$/AC	TYPE AC \$/AC
79-2 Thorne	1/79	\$ 96,000	B	28-45-1W	160Ac@5600	DA 60@425 TL 100@150	4.00	PM 400@110	666	166	PM 122
79-7 Sewell	2/79	\$ 75,000	B	15-44-4W	160Ac@5469	TL 160@169	3.00	PM 480@100	516	186	PM 110
79-9 Bohman	4/79	\$100,000	L	2-39-3W	160Ac@5625	DA 60@1000 TL 100@100	5.50	PM 550@54	675	108	PM 58
79-11 Gai	5/79	\$ 40,000	B	3-43-3W	80Ac@5500	TL 80@150	6.00	PM 320@88	535	161	PM 94
79-24 Place	5/79	\$250,000	B	26-46-4W	280@5893	TL 280@141	6.30	MT 1220@150 PM 550@50	956	151	PM 54 MT 161
79-25 Raddekopp	9/79	\$195,000	B	13+24-46 3W	400@488	TL 400@110	4.80	MT 1370@90 Stud 555@50	502	114	PM 52 MT 93 St 52
79-26 Sherman	6/79	\$ 22,500	B	34-44-5W	40@563	TL 40@106	3.9	MT 105@150 PM 50@50	596	112	PM 53 MT 159
79-27 Zenner	6/79	\$100,000	B	3-43-1W	160@625	TL 160@77	13.5	MT 1345@50 St 815 @25	662	82	MT 53 St 26
78-1 Linka	2/78	\$ 13,000	X	17-48-1W	48@325	TL 40@138	2.5	MT 100@75	400	170	MT 92
78-3 Gen State	2/78	\$ 59,000	C	24-38-2E	80@738	TL 80@45	11.5	MT 921@60	900	55	MT 73
78-9 Wilke	3/78	\$ 20,000	B	21-44-2W	40@500	TL 40@63	6.9	MT 275@63	605	76	MT 76
78-10 Robinson Bros.	3/78	\$ 18,000	B	26-45-1W	40@450	TL 40@72	6.13	MT 245@62	544	87	MT 75
78-11 A. Robinson	3/78	\$171,000	B	7+8-46-1W	360@475	TL 360@68	7.14	MT 2570@57	575	82	MT 69
78-12 Nipper	4/78	\$ 60,000	L	36-40-2W	60@1000	TL 60@64	10.5	MT 630@89	1200	77	MT 107
78-18 Richardson	9/78	\$452,405	C	6,7,8,17, 18-38-2E	997@454	TL 997@148	5.10	MT 4100@65 St 965@40	522	170	MT 75 St 46
78-19 Walker	12/78	\$176,000	C	22,27-38-1E	160@1100	TL 160@145	9.50	MT 1292@110 St 228@47	1232	162	MT 124 St 53

Continued

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

# - NAME	DATE	PRICE	LEGAL		TOTAL AC S/AC	TYPE AC S/AC	AVE. VOL.	TYPE M/A S/M	ADJUSTED		
			CO.	S-T-R					OVERALL S/AC	TLND S/AC	TYPE AC S/AC
78-22 Rapp	5/78	\$ 11,000	B	28-44-1E	408275	TL 408125	1.90	MT 75880	327	149	MT 95
78-23 Gehrler	4/78	\$ 35,000	K	29-50-5W	1008350	TL 1008162	2.50	PM 250875	420	194	PM 90
78-33 Farber	12/78	\$ 55,000	K	30-48-3W	708785	DG 108300 TL 608122	9.20	MT 540875 St 105840	879	137	MT 84 St 45
78-34 Condie	4/78	\$ 30,500	K	11-48-1E	1218251	TL 1218145	1.65	YG 200865	301	174	PM 78
78-35 Bergland	7/78	\$180,000	B	21-45-3W	2408750	TL 2408117	7.90	MT 1900880	878	137	MT 94
78-36 Lewis	10-78	\$ 6,000	B	22-44-5W	208300	TL 20875	5.00	MT 100845	342	86	MT 51
78-64 Siebert	9/78	\$ 30,000	S	12-45-2E	608500	TL 608133	4.30	MT 259805	575	153	MT 98
78-65 Zurcher	3/78	\$ 13,000	B	21-46-5W	408325	TL 408138	3.75	MT 150850	393	167	MT 60
79-M Martin	6/79	\$ 12,500	B	10-43-5W	408312	TL 40888	3.00	MT 120875	331	93	MT 80
77-194 Grace	1/77	\$ 44,760	S	11-45-1E	4081119	TL 408125	15.3	MT 612865	1511	169	MT 88
77-257 Barron	1/77	\$ 16,000	S	7-48-2E	408400	TL 408150	2.50	MT 1008100	540	202	MT 135
77-258 Edwards	3/77	\$ 70,000	K	1-48-6W	1318534	DA 2081000 TL 111891	5.13	MT 570870	710	121	MT 93
77-259 Davis	3/77	\$ 12,000	B	21-45-1W	408300	TL 40844	6.25	MT 250840 Pulp 5085	399	58	MT 53 Pu 7
77-263 Yearout	8/77	\$ 20,000	B	34-45-3W	408500	TL 40878	9.10	MT 230850 St 135840	640	100	MT 64 St 51
77-264 Engwer	8/77	\$ 17,000	L	2-40-3W	408425	TL 408116	4.75	MT 145870 St 45840 Pu 8585	544	148	MT 90 St 51 Pu 7
77-268 K & P	10/77	\$ 40,000	S	29-45-1E	4081000	TL 408125	18.6	MT 745847	1260	158	MT 59
77-270 Strobel	10/77	\$ 50,000	K	1-48-2W	1208400	DA 2081000 TL 1008117.50	5.7	MT 565850	504	148	MT 63
77-273 Wetzel	12/77	\$ 8,500	B	10-44-4W	508170	TL 50850	2.00	MT 100860	211	62	MT 74
77-274 Christensen	12/77	\$ 39,000	S	2-45-1E	1008390	TL 1008102	4.80	PM 480860	484	126	PM 74
77-290 MacArthur	5/77	\$ 55,000	C	28-38-2E	808688	TL 80864	13.0	MT 1040848	853	79	MT 60
77-318 Wingard	8/77	\$26,000	C	29-36-4E	408650	TL 40881	8.50	MT 340867	832	104	MT 86
77-319 Vansant	8/77	\$ 51,004	C	33-36-4E	1508340	TL 150860	5.60	MT 840850	435	77	MT 64
77-320 Mitchell	11/77	\$ 31,002	C	35-37-4E	358887	TL 35850	12.3	MT 430868	1109	62	MT 85

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C. MARKET DATA APPROACH (CONTINUED)

TIMBER PRODUCTIVITY CLASS VALUE RANGE BREAKDOWN

Most of the timber sales include more than one productivity classification; however, arbitrary assignment or judgement of each tract is beyond the scope of this appraisal. In order to break the timberland price down into the productivity classes utilized in this appraisal, several key sales have been studied. The following is a description of each productivity classification.

Timberland Productivity Class One

Selected to represent the best combined timber, productivity and land in Northern Idaho. Little such timberland exists on the subject right of way. The only portion of the subject right of way approaching this classification is the Sherwin Hill between Clarkia and Bovill.

Timberland Productivity Class Two

Second best land with good productivity and standing timber. This Class Two exists only on Sherwin Hill, south of Bovill.

Timberland Productivity Class Three

There are limited amounts in the main line and in portions of Sherwin Hill between Clarkia and Bovill.

Timberland Productivity Class Four

Predominantly exists as the better timberland between Plummer and St. Maries and Heyburn State Park. Northern exposure topography is fairly steep land, is higher than the valley floor

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

and the majority of the balance, which predominantly follows the river bottom. Considerable Class Four exists between St. Maries and St. Joe city, as well as in limited amounts along the St. Maries River portion of the branch line below Santa and in the lower parts of the Sherwin Hill sections between Clarkia and Bovill.

Timberland Productivity Class Five

This class includes a majority of the subject route. This class is significantly a low growth rate, southern exposure, or flood potential type with considerable quantities of small uneconomic hardwoods and brush.

Timberland Productivity Class Six

This is the lowest timberland type and is generally void of timber and unable to support merchantable tree growth production and/or areas of concentrated non-merchantable timber type, such as cottonwood and aspen, which predominate in the swampy river bottom areas.

UPDATED MARKET STUDY

The following graph, identified as Updated Timberland Comparison, indicates the updated 1977 through 1979 sales. These transactions fit the same general pattern ranging from \$50 to \$200 per acre. The sale breakdowns previously plotted indicate very little difference for size variation in 40- to 160-acre transactions. There is some difference for tracts of larger size, which needs to be considered.

Typically, timberland sales are not composed for one single productivity class. Usually, they are a combination of several

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

classes. However, some transactions predominantly fall into one classification which will be the basis for the following value conclusions. The different productivity classes of the various sales were not broken down since time did not permit an intensive valuation of each acre of each transaction, and equally dependable results occur when the entire market study is evaluated as a whole. Abstractions from the entire array of the market, supported by specific individual sales, have been very dependable and this is selected as the best tool for value selections.

Please see the chart on the next page.

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WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

CONCLUSIONS OF LAND VALUES BY CLASSIFICATION

The following is a description by grade of individual comparable sales.

Timberland Productivity Class Six

This is the non-productive classification selected at the bottom of the range. General observation indicates from the inferior transactions a figure of: ----- \$50 per acre.

Timberland Productivity Class Five

This is a low productivity timberland classification and is selected in the lower range of overall timberland breakdowns. Specific sales comparable to this classification include Sale No. 78-11, which is a transaction of a generally southern exposure of poorly accessible and difficult logging chance on the north side of the St. Joe River and on the opposite side of the subject railroad. Again, general observation and inferior sales indicate: ----- \$75 per acre.

Timberland Productivity Class Four

This is the predominant classification in the subject area. The productivity is rated from fair to good. Also No. 79-25, adjacent to the Milwaukee Railroad west of St. Maries is one of the better representatives of this class. The conclusion for this classification is selected as the median of the majority of sales which range from \$75 to \$175 per acre. The entire market presents a bimodal array with this class selected between the two concentrations near the median at: ----- \$110 per acre.

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A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

Timberland Productivity Class Three

This is a good quality land normally stocked with thrifty trees. Sale No. 79-24, near Plummer, represents this class. Sale No. 79-2, near Fernwood, and Sale No. 78-35, in Benewah, are also excellent examples. Looking at the total market picture, this class is located near the median of the higher group of sales. Aided by the specific sales indicated, the best estimate for this class is: ----- \$150 per acre.

Timberland Productivity Class Two

This value is selected at the top of the upper range of sales. With the specific indications of Transactions 77-257, 78-23, and 79-7, this class is best indicated at: ----- \$200 per acre.

Timberland Productivity Class One

This class is reserved for timberland exhibiting higher productivity characteristics and location in the immediate subject location. No value is selected for this excellent productivity classification.

WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

TIMBER VALUE

Timber cruise volumes were measured on the subject site at selected locations, as previously described, along both the main line and branch line routes. Volume per acre figures have been selected based on median figures included in the selected plots. Timberland acreage has been calculated along either side of the railroad right of way by timberland productivity classification, as indicated on the aerial photographs presented in the subject maps section of this report. Timberland acreages have been estimated based on comparison of actual measurements of merchantable timber strip widths along the sides of the railroad right of way.

In the market study, the estimated contribution of merchantable timber was deducted from the sales price, leaving the amount attributable to the timberland alone.

It was the land values alone which were graphed and projected to the subject classification conclusions.

The contributions of merchantable timber were assembled and discounted in projection to the subject for the following reasons. The timber in the railroad rights of way does have a gross market value, but the logging costs are excessively high and considerable clean-up is needed if the right of way is to be used for railroad purposes. Even if the use would change to some other means of transportation, there would need to be a greater amount of clean-up than the typical logging operation, which the sales reflected. The main reason is the fire hazard from sparks igniting material dried for a period of time and also the resultant liability from the spread of fire onto adjoining properties.

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C. MARKET DATA APPROACH (CONTINUED)

The high logging costs are also precipitated by the narrow width in which the falling of the timber must be confined. Timber falling over the line, breaking fences and causing damage to adjoining properties, while not always properly accounted for, is a definite liability.

MERCHANTABLE TIMBER VOLUME CONCLUSION

Merchantable timber located on lands classified as Classes One, Two, Three and Four, is selected at \$50 per 1,000 board feet (MBF). Timber on land Classes Five and Six has been selected at \$30 per MBF. The value of the timber in the right of way of each subject line is found in the summary as an extension of the rates just indicated multiplied by the volume per acre and the number of acres.

The following is a land classification summary of each of the three segments of the subject railroad being considered. The summary sheets include agricultural and industrial land and will be valued in the following sections of this report. Both timberland acreages and timber volume class acreages are shown on the summary. The timber volume figures shown in acres are portions of the timberland identified on the left side of the chart.

The following charts are presented as divided between the three valuation types included in this report. The acreages have been totalled and balanced with the acreages indicated on the railroad map page summaries presented earlier in this report.

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

The totals from the land value classification summary are now moved as totals to the land value summary, also presented in the same three valuation segments of the total subject property. The following tables include agricultural and industrial land, as well as specific classification, including the Benewah Lake Bottom Segment.

Please turn to the following pages.

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LAND VALUATION CLASSIFICATION MAIN LINE ST. MARIES TO AVERY

STATION TO STATION	ACREAGE		USE BREAKDOWN TIMBERLAND						TIMBER VOLUME CLASSIFICATION				
	INDUS.	AG.	1	2	3	4	5	6	1	2	3	4	5
2077+60 to 2106+00						18.36						9.15	
2136		13.77											
2176+29.3						17.18						6.97	
#2 Tunnel		.92				1.35						1.35	
2186		2.13											
2202							5.49						2.32
380		25.01											
Tunnel at 385						5.60					5.60		
261+68.5						35.85						14.12	
170						22.25						7.99	
136		7.77											
114							5.05						1.01
58								27.35					
185+53.4		3.08											
L10 S23-46-1						39.71						15.20	
L7 S23-46-1								8.96					
L4 S23-46-1							4.19						2.01
L2 S24-46-1								8.82					
L4 S30-46-2							38.22						17.14
L4 S31-46-2								11.27					
SESW S31-46-2							6.09						2.60
L10 S5-45-2								8.36					
L10 S5-45-2								1.82					
L13 S5-45-2		4.70											
L9 S4-45-2								19.72					
SEMW S3-45-2		14.59											
SWSE S2-45-2								26.85					
SWSE S2-45-2								8.90					
L10 S1-45-2							5.03						2.15
NWNE S12-45-2								21.88					
L14 S-6-45-3							21.37						11.11
L10 S5-45-3		10.28											
L11 S5-45-3							3.89						1.49
L9 S5-45-3		13.80											
L11 S4-45-3								12.79					
L10 S4-45-3								7.39					
L4 S10-45-3							12.67						7.29
L1 S11-45-3								21.94					
L4 S11-45-3							13.54						8.27
L4 S14-45-3								5.90					
L1 S14-45-3							52.29						41.00
L3 S17-45-4							77.97						42.60
L1 S17-45-4								10.61					
L2 S16-45-4								18.19					
L1 S16-45-4							5.46						2.28
L6 S10-45-4								29.34					
L1 S11-45-4							25.17						14.33
L3 S12-45-4								5.58					

continued

WESTERN APPRAISALS & SURVEYS

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LAND VALUATION CLASSIFICATION MAIN LINE ST. MARIES TO AVERY

STATION TO STATION	ACREAGE		USE BREAKDOWN TIMBERLAND						TIMBER VOLUME CLASSIFICATION			
	INDS.	AG.	1	2	3	4	5	6	2	3	4	5
L1 S12-45-4								14.40	(USFS Easement)			
L11 S7-45-5								23.94				
L1 S18-45-5								3.31	(USFS Easement)			
L1 S9-45-5								23.95				
L3 S16-45-5								5.38	(USFS Easement)			
L2 S16-45-5	6.62											
55+17.5	1.79	(Add. .08 Ac under water)										
37+50BC	11.50	(1.29 Ac under water)										
10+67								2.57				
123+84	13.85											
#29 on Map	.13											
1221+14								3.64				
Sec 11								.59				
End								3.64				
Totals	33.89	96.05			5.6	134.70	276.43	337.09	5.6	54.78	155.60	
									(Less State Easement Timber)		2.28	
											153.32	

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LAND VALUE CLASSIFICATION SUMMARY MAIN LINE PLUMMER TO ST. MARIES

STATION TO STATION	ACREAGE		USE BREAKDOWN TIMBERLAND						TIMBER VOLUME CLASSIFICATION				
	INDUS.	AG.	1	2	3	4	5	6	2	3	4	5	
848+81.4 to 862+20								3.07				.31	
901+98.6	23.30												
932+00								13.76				1.38	
965+50		24.32											
1000+00								10.44				1.62	
1028+00									5.62				
1120+00						26.10					6.26		
1214+00								39.87				26.21	
1469+87.18						84.99					38.36		
1557+16.8								26.90				14.64	
1590+00 - Lake, 27.39 Ac													
1593+00								.69				.44	
Spur, Stack & Gibbs								.48	.40				
1750+69.2						42.19					13.03		
1765+96.2		3.50											
1848+00								30.97				15.90	
1872+00		8.49											
1907+00								11.26				4.78	
2004+00	39.77												
2077+60		30.06											
Totals	63.07	66.37			153.28	137.44	6.02			57.65	65.28		

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LAND VALUE CLASSIFICATION SUMMARY BRANCH LINE ST. MARIES TO BOVILL

STATION TO STATION	ACREAGE		USE BREAKDOWN TIMBERLAND						TIMBER VOLUME CLASSIFICATION				
	INDS.	AG.	1	2	3	4	5	6	2	3	4	5	
2+67.2 to 15+28.6	3.72												
41+00							8.13					.06	
58+03		3.71											
118+70							14.72					1.04	
150+46		8.11											
371+00							58.68					7.53	
401+00					7.99						.31		
468+17.4								21.82					
531+11							17.44					1.15	
558+80					6.79						.75		
556+00							14.64					.90	
599+00					11.79						1.22		
708+36.5							31.85					2.42	
723+00								3.36					
734+30.6							2.64					.45	
753+48.0								4.40					
1334+03							42.74					5.32	
1308+49.2		11.68											
1160+00							40.83					5.19	
1138+00		6.37											
1131+59.6							2.60					.45	
1069+53.7		13.92											
845+00							70.50					8.89	
830+00		3.44											
811+00							4.36					.87	
795+00		3.68											
775+00							8.47					.83	
698+000		17.96											
423+00							73.86					6.32	
290+00		35.34											
258+00							7.81					1.47	
219+00					9.64						1.79		
52+80							52.65					4.64	
13+33						12.51					3.04		
40+00					19.44					1.67			
89+53.85			18.95						2.48				
130+50					14.13					3.53			
171+90					10.16						2.38		
287+00							32.13					6.19	
301+97.5		3.44											
TO PURUDE BOVILL IND.	1.73												
TOTALS	5.45	107.55	18.95	33.57	58.80	404.05	29.58	2.48	5.20	9.49	53.72	8.86	
							(Less State Easement Timber Volume)					44.86	

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WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

AGRICULTURAL LAND VALUE

Agricultural land along the subject right of way includes three major types. Agricultural land at Plummer is in the fringes of the Palouse Farm District. Western Benewah County includes good quality, 80 bushel per acre, dry farm wheat land, however, the subject right of way abuts little farmland and the farmland that is adjacent to the subject tract is poor quality.

The St. Maries River bottom farmland is primarily peat bog bottomland utilizing dikes and pump stations in order to allow cultivated agricultural use. Production in the bottomland meadows is wheat, oats, grass seed and hay.

The upper St. Joe River agricultural type is limited to hay and pasture use.

The lower St. Maries River Valley agricultural areas are comparable to the upper St. Joe agricultural land utilization as hay and pastureland.

The upper St. Maries River agricultural areas include the Santa to Fernwood area where limited cultivated ground is present. The majority of this stretch is hayland, and is also used as live-stock pasture. The Clarkia meadow area is primarily utilized as hay and pasture ground. The upper St. Maries River area is a popular summer grazing area for lower Snake River area ranchers who utilize these properties for summer grazing only.

Agricultural sales along the railroad route are limited, as agricultural properties include only a small percentage of the total property in the subject region and agricultural properties show a very slow turn-over rate. Agricultural sales included

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WESTERN APPRAISALS & SURVEYS

A Division of Conservation, Inc.

C. MARKET DATA APPROACH (CONTINUED)

in the timberland breakdowns include three dry agricultural acreages at \$1,000 per acre, as well as one hayland type near Santa at \$425 per acre and a \$300 per acre dry grazing land transaction. Northern Idaho dry agricultural sales indicate the best Camas Prairie and Palouse sales at between \$1,000 and \$1,600 per acre for the various productivity sales and the lesser quality properties range down from these figures. The Thorns sale, No. 79-2 at \$425 per acre, is considered a good representation of the upper St. Joe and St. Maries Rivers land values, while the \$1,000 per acre land values are considered representative of the better quality Plummer and St. Joe River properties.

Sale No. 14, Kin Baum at \$600 per acre in late 1977 at Clarkia, considered low by the seller, was a cash transaction located in an area normally supplemented with U.S. Forest Service grazing land leases.

AGRICULTURAL LAND VALUE DESCRIPTION

The Plummer area agricultural land sales include two sales to Gary Thomas in the Tensed area, identified as Sale No. 15--Schofield at \$1,050 per acre, and Sale No. 16--Madson at \$1,130 per acre for 50- to 60-bushel per acre wheat cropland south of Tensed. The sales are near the timberland fringe of the Palouse Farm District. Sale No. 18--Larson, located somewhat closer to Tensed and at \$1,000 per acre, is better production land than Sales No. 15 and 16, however, included near cash consideration.

Sale No. 17--Haeg is a 1976 sale located east of Plummer near the subject railroad right of way at \$750 per acre. Sale No. 17 is 50- to 60-bushel per acre wheat land in a comparable area to that of Sales No. 15 and 16. It indicates a last rate line land value increase at almost 16 percent per year. This land value

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WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

increase comparison may be high in consideration of lower commodity prices during the mid 1970's.

Sale No. 19--Skalicky is a recreational land transaction purchase. The agricultural land comparison is poorer than any of the comparable agricultural and timberland areas, requires numerous special considerations, including access, neighborhood, view and other factors. The recreational considerations are not uniformly available on all poor land types; however, recreational and speculative land purchasers do establish a market floor.

Based on the previously described sales, as compared to the properties immediately adjacent to the subject, agricultural land values are selected in the following table. These value conclusions reflect that the subject right of way normally follows a route through the poorest parts of these areas.

Plummer Agricultural: -----	\$500 per acre.
Lower St. Joe River Valley Agricultural: -----	\$500 per acre.
Upper St. Joe River Valley Agricultural: -----	\$300 per acre.
Lower St. Maries River Valley Agricultural: -----	\$500 per acre.
Upper St. Maries River Valley and Bovill Agricultural: -----	\$400 per acre.

INDUSTRIAL LAND VALUES

Industrial land in the region is primarily created by the presence of the railroad. Sufficient concentrations of industrial land uses are considered necessary in order to identify industrial land use. Industrial users sporadically located along the railroad right of way are considered within the adjacent property use classification. Industrial land use is identified at Plummer, St. Maries and Avery.

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WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

Plummer Industrial Land Value

Plummer industrial land is considered marginal, as a pole yard, two sawmills and a planing mill are the only industrial land users. Plummer industrial land is located adjacent to agricultural areas. The Plummer industrial land classification is concluded in the upper range of agricultural land values in the region, at:
----- \$1,500 per acre.

St. Maries Industrial Land Value

St. Maries industrial land is divided into two categories. The majority of the St. Maries industrial land is flood hazard area and requires fill for utilization. Currently, a 450-acre tract adjacent and west of the Potlatch Corporation's St. Maries Plywood Plant is in the process of selling for \$1,100 per acre to the City of St. Maries for a sewage treatment plant and leach field development. This transaction is considered representative of the lower end of industrial land values. This sale is an agricultural field and, as such, indicates an agricultural land value comparison. However, the location of the property, adjacent to the city of St. Maries and also the largest industrial plant in the area, requires recognition of industrial influence in the transaction.

The following table includes known industrial type land transactions in St. Maries, as well as the most recent commercial transaction, on the eastern side of St. Maries. Complete sale descriptions are included in the appendix of this report.

WESTERN APPRAISALS & SURVEYS

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ST. MARIES INDUSTRIAL LAND SALES

#	NAME	LOCATION	DATE	PRICE	SIZE	BREAKDOWNS		REMARKS
						\$/SF	\$/AC	
1	PB & B	SM River - 95A	1/76	\$ 60,000	10 Ac	0.13	5,750	\$2,500 Bldg Salvage
2	Baseball Inc	20th St & RR	6/75	\$ 13,500	3.168 Ac	0.10	4,260	Filled since purchase
3	Glidden	15th St	9/74	\$ 12,000	1.13 Ac	0.24	10,619	Warehouse site
4	Gunther	2mi E SM	5/77	\$ 55,000	11 Ac	0.11	4,977	Rocked site, 440 power
5	School	1/2mi N SM	9/74	\$ 69,630	23.21 Ac	0.07	3,000	
6	Edwards	Plywood Road	10/74	\$ 25,000	2.29 Ac	0.30	13,100	Adjacent owner, trade
7	10th St Lbr	10th & RR	10/77	\$ 6,500	26,000 SF	0.25	10,890	Plottage purchase
8	Buell	RR Ave	6/77	\$ 7,500	35,625 SF	0.21	9,171	Plottage purchase
9	Round up	1st & Main	1/79	\$125,000	88,028 SF	1.42	61,855	Commercial location
10	Tubbs	W of Plywood	9/79	\$500,000	455 Ac	0.025	1,100	Sewage plant site

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C. MARKET DATA APPROACH (CONTINUED)

St. Maries Industrial Land Value Conclusion

The subject is broken down as a 5.05-acre tract considered as prime industrial land, including the area near Tenth Street, and is comparable to the railroad Sales No. 7 and 8. Based on these sales, as well as the range indicated by the industrial land transactions, the value of the good industrial property is concluded at: ----- \$12,500 per acre.

The remaining industrial land is considered comparable to both the City of St. Maries transaction at \$1,100 per acre and Sales No. 1, 2, 4 and 5. Based on these comparisons, the value of this land is selected at mid-range at: ----- \$1,500 per acre.

Avery Industrial Land Value

No known transactions are available in Avery or the upper St. Joe River Valley for comparison of the Avery industrial land value. Avery industry includes railroading only. Log loading onto the railroad is the only other industrial use in Avery. This appraisal considers that Avery will be the termination of the railroad line and, thus, railroading will become a much less important factor in Avery. The Avery industrial land could become desirable for the construction of a small sawmill or other wood products related industry.

Sale No. 13--Crane included a 60-acre site near Emerald Creek, between Fernwood and Clarkia, near the St. Maries Branch Line. This recently transferred at \$1,100 per acre and was originally negotiated at \$1,000 per acre without mineral rights. It is considered the best indicator of the Avery industrial land. After size adjustments and comparison of other land value indicators, including agricultural and residential properties throughout the

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

St. Joe River Valley, the Avery industrial land value is concluded at: ----- \$1,000 per acre.

Santa, Fernwood and Clarkia Industrial Land Value

Several mill sites and a log loading yard are located adjacent to the railroad along the branch line. Previously, each of these sites was originally located beside the railroad, specifically for railroad access. Several of the industrial land users along this stretch no longer use railroad transportation and alternate sites are available in agricultural and timberland areas along the railroad. Industrial land use values along the branch line are concluded as being equal to adjacent land use values.

Bovill Industrial Land Value

This appraisal includes a narrow, 1.73-acre tract located with the W.I. and M. railroad yard in Bovill. This tract is being appraised as part of the total subject property utilizing the "across-the-fence" method. The sale, adjacent to the railroad in Bovill, is a rural homesite sale considered a good comparable to this portion of the subject. The Bovill industrial land value, after consideration of time, size, shape and location differences to Sale No. 12--Huberty, as well as Sale No. 13--Crane, at Emerald Creek, reflect to the subject, after consideration for differences in time, location, size and shape, a value for the land at this location of: ----- \$1,000 per acre.

The following tables present the calculated subject acreages by use classification. It presents concluded land values based upon the preceeding value conclusions.

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NON-OPERATING PROPERTY

A concentrated area of identifiable non-operating property is located at St. Joe city. This is primarily the location of an old mill. The area is mostly a swampy cottonwood flat utilized as dry grazing. The cottonwood was cut on part or all of this property in the early 1960's. No market exists for cottonwood today.

The non-operating property considered under the conditions of this appraisal, as a part of the total ownership, is all timber productivity Class Six land. The non-operating property is located in Section 20, Township 45 North, Range 1 East, B. M. and is included on Railroad Right of Way #10 as follows:

TRACT NO.	SIZE-- ACRES
27	60.00
28	5.52
29	33.72
30	1.00
31	2.28
	102.52

VALUE CALCULATION

102.52 Acres @ \$50 per Acre = ----- \$5,126

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C. MARKET DATA APPROACH (CONTINUED)

LAND VALUE SUMMARY

MAIN LINE, PLUMMER TO ST. MARIES

LAND USE	SIZE-- ACRES	VALUE/ ACRE	TOTAL VALUE
Plummer Industrial	23.30	\$ 1,500	\$ 34,950
Plummer Agricultural	24.32	\$ 500	\$ 12,160
St. Joe Bottomland Ag.	42.05	\$ 500	\$ 21,025
St. Maries Industrial	5.05	\$12,500	\$ 63,125
	34.72	\$ 1,500	\$ 52,080
#4 Timberland	153.28	\$ 110	\$ 16,861
#5 Timberland	137.44	\$ 75	\$ 10,308
#6 Timberland	6.02	\$ 50	\$ 301
#4 Timber Volume, 57.63 Ac @ 5,460/Ac		\$ 50/MBF	\$ 15,733
#5 Timber Volume, 65.28 Ac @ 5,330/Ac		\$ 30/MBF	\$ 10,438
Lake Bottom	27.39	\$ 0	\$ 0
TOTAL			\$236,981

Land Total	453.57	\$210,810
Timber Volume Total	122.91 @ 649 MBF =	\$26,171

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

LAND VALUE SUMMARY

MAIN LINE, ST. MARIES TO AVERY

LAND USE	SIZE-- ACRES	VALUE/ ACRE	TOTAL VALUE
Lower St. Joe Agricultural	52.68	\$ 500	\$ 26,340
#3 Timberland (Tunnel Line)	5.60	\$ 150	\$ 840
#4 Timberland	134.70	\$ 110	\$ 14,817
#5 Timberland	276.43	\$ 75	\$ 20,732
#6 Timberland	337.09	\$ 50	\$ 16,854
#3 Timber Volume, 5.60 Ac @ 20,000/Ac		\$ 50/MBF	\$ 5,600
#4 Timber Volume, 54.78 Ac @ 5,460/Ac		\$ 50/MBF	\$ 14,955
#5 Timber Volume, 153.32 Ac @ 5,330/Ac		\$ 30/MBF	\$ 24,516
Upper St. Joe Agricultural	43.37	\$ 300	\$ 13,011
Avery Industrial	33.89	\$1,000	\$ 33,890
USFS ROW Easement (6 TL)	28.67	\$ 50	\$ 1,434
Non-Operating Property	102.52	\$ 50	\$ 5,126
TOTAL			\$178,115

Land Total	1,014.95	\$133,044
Timber Volume Total	213.70 @ 1,152/MBF =	\$ 45,071

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C. MARKET DATA APPROACH (CONTINUED)

LAND VALUE SUMMARY

BRANCH LINE, ST. MARIES TO BOVILL

LAND USE	SIZE-- ACRES	VALUE/ ACRE	VALUE
St. Maries Industrial	3.72	\$1,000	\$ 3,720
Lower St. Maries River Ag.	11.82	\$ 500	\$ 5,910
#2 Timberland	18.95	\$ 200	\$ 3,790
#3 Timberland	33.57	\$ 150	\$ 5,036
#4 Timberland	58.88	\$ 110	\$ 6,477
#5 Timberland	484.05	\$ 75	\$ 36,304
#6 Timberland	29.58	\$ 50	\$ 1,479
#2 Timber Volume, 2.48 Ac @ 30,000/Ac		\$ 50/MBF	\$ 3,720
#3 Timber Volume, 5.20 Ac @ 20,000/Ac		\$ 50/MBF	\$ 5,200
#4 Timber Volume, 9.49 Ac @ 7,950/Ac		\$ 50/MBF	\$ 3,772
#5 Timber Volume, 44.86 Ac @ 6,545/Ac		\$ 30/MBF	\$ 8,808
Upper St. Maries-Bovill Ag.	95.73	\$ 400	\$ 38,292
Bovill Industrial	1.73	\$1,000	\$ 1,730
TOTAL			\$124,238

Land Total	738.03	\$102,738
Timber Volume Total	62.03 @ 547 MBF =	\$ 21,500

WESTERN APPRAISALS & SURVEYS

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C. MARKET DATA APPROACH (CONTINUED)

ASSEMBLAGE FACTORS

The "across-the-fence" land value technique requires consideration of acquiring the continuous railroad route. This factor traditionally ranges from ten percent in rural areas to one hundred percent in urban areas. The assemblage factors are considered representative of long distance, new route costs under favorable conditions. These factors are very conservative as compared to route realignments typical of today's eminent domain costs for highway projects under bureaucratic regulations.

For the purpose of this appraisal, the assemblage factors for the various sections of this appraisal, based on national railroad right of way appraisal comparisons, are selected by location as follows:

Plummer Industrial	1.2
Plummer to St. Maries Rural	1.1
St. Maries Industrial	1.2
St. Maries to Avery Rural	1.1
Avery Industrial	1.1
St. Maries to Purdue (Bovill) Rural	1.1
Bovill Industrial	1.2

"ACROSS-THE-FENCE" VALUE CALCULATION AND SUMMARY

The subject property acreages, as broken down by land use types together with the concluded land value for the respective land use types and the assemblage factors, are included in the following summary of the subject land value by the "across-the-fence" plus assemblage value. The summary is separated

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C. MARKET DATA APPROACH (CONTINUED)

for each of the three valuation sections considered in this appraisal report.

"ACROSS-THE-FENCE" VALUE SUMMARY

<u>AREA/LAND USE</u>	<u>SIZE-- ACRES</u>	<u>VALUE</u>	<u>A/F*</u>	<u>"A-T-F" FACTOR</u>
<u>Plummer to St. Maries</u>				
Plummer Industrial	23.30	\$ 34,950	1.2	\$ 41,940
Plummer to St. Maries Rural	390.5	\$ 86,831	1.1	\$ 95,514
St. Maries Industrial	<u>39.77</u>	<u>\$115,205</u>	1.2	<u>\$138,246</u>
Subtotals	453.57	\$236,986		\$275,700
<u>St. Maries to Avery</u>				
St. Maries to Avery Rural	878.54	\$136,673	1.1	\$150,340
Avery Industrial	33.89	\$ 33,890	1.1	\$ 37,279
Non-Operating Property,				
St. Joe city	<u>102.52</u>	<u>\$ 5,126</u>	1.1	<u>\$ 5,639</u>
Subtotals	1,014.95	\$175,689		\$193,528
<u>St. Maries Branch</u>				
St. Maries Industrial	3.72	\$ 3,720	1.2	\$ 4,464
Branch Rural	732.58	\$118,788	1.1	\$130,667
Bovill Industrial	<u>1.73</u>	<u>\$ 1,730</u>	1.2	<u>\$ 2,076</u>
Subtotals	738.03	\$124,238		\$137,207
GRAND TOTAL: -----				\$606,435
CALLED: -----				\$606,500

* Assemblage Factor

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C. MARKET DATA APPROACH (CONTINUED)

CONCLUSION OF MARKET DATA APPROACH

The Market Data Approach utilized two separate valuation techniques: direct comparison or railroad line sales and the "across-the-fence" plus assemblage. The direct comparison technique was not meaningful because the Western Washington transaction was not completed and the final sale price was not known, except that it was higher than the appraisal and considerably higher than the average concluded here. A market study of land in the sale neighborhood was not attempted. The other transaction, which is in the subject region, was a subsidized transaction and the return thereon included total economic benefits to the area, as well as the land and railroad purchased.

The "across-the-fence" plus assemblage valuation technique has been used universally in subject type right of way appraisals. It projects a well accepted and logical conclusion of the subject property value.

As previously discussed in this section of the report, the assemblage value utilized is conservative, compared to today's highway relocation easement expansion assemblage experience. The assemblage factors utilized in this report are considered representative of the virgin route right of way under favorable conditions. The lower assemblage factors are considered realistic in the case of the subject property, as a high proportion of the subject property is routed through state and federally owned properties. A majority of the privately owned properties in the rural section along the entire route are larger tracts. The existing railroad route has become a natural barrier between many properties along the subject right of way.

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C. MARKET DATA APPROACH (CONTINUED)

Access is a major consideration for the subject property. Access to the land adjacent to the subject right of way, with the exception of the railroad, is generally poor. Although logging access could be developed to most of the adjacent timberland acreages, there are areas between St. Maries and Avery and between St. Maries and Mashburn on the branch line that will be economically inaccessible by road for logging in the economically foreseeable future.

Industrial land values along the subject right of way are primarily established because of the necessity of railroad transportation. Industrial land users in the Plummer area, as well as the eastern (Milltown) portion of St. Maries and the Santa, Fernwood, Clarkia to Bovill route, are located interchangeably with agricultural and timberland properties, with some sides abandoned and others developed along the right of way, with the abandoned sites evolving back to the original use. Land value of these rural-industrially-used-sites is considered at the value of the adjacent land use acreage. In the case of Plummer and Bovill, industrial values are based at levels close to predominant area land value levels.

The value of the subject in the Market Data Approach is concluded at: ----- \$606,500.

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D. CORRELATION AND CONCLUSION

This report presents only one completed valuation approach and, thus, the "across-the-fence" land valuation plus assemblage technique becomes the best indicator of the subject property value.

In reviewing the report, it should be obvious that the value of individual parcels within the subject and merchantable timber sale potential far exceeds the value placed on these area components, as they contribute to the total subject ownership. It is possible for the owner or a purchaser to subdivide the subject deeded acreage into different uses, such as recreational land sales, industrial sites and timberland--in many cases selling to adjoining owners who might be willing to pay any kind of price for small acreages to reassemble their property. In effect, this is assemblage, which many adjoining owners would be willing to pay rather than have someone else as a neighbor. This appraisal was premised on discontinuance of the subject as part of a national or regional transportation route, the possibility of local rail transportation was left in tact. The subject route, as it exists, includes many problems such as the original design for 40-foot cars, which do not fit today's longer car lengths and longer trains, and a number of tressels which are near the end of their physical life and will need to be replaced. Therefore, it is possible that the present use, which appears to be the highest and best use, as continued may actually be of lower economic return to the subject of this appraisal.

Other right of way uses which the subject could be used for include the following examples. The abandoned railroad right of way from Bovill to Elk River was stopped by a local group interested in maintaining a recreational right of way. It is also possible, and has been done in many other locations, to connect the old railroad bed and utilize the right of way with

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D. CORRELATION AND CONCLUSION (CONTINUED)

a private haul road. The reason this is economic is that the amount of volume which can be taken over state and county roads has been dramatically reduced compared to what trucks can actually haul. On private haul roads, the timber company can construct the roads to their own needs and not be bothered about the surface or any other traffic which would otherwise be a liability.

It is also possible that a single purchaser might attempt to use the right of way for timber production. As previously mentioned, there are a number of physical difficulties which reduce the value of the subject for timber production because of compaction, cuts, gravel, oil and creosote.

The previously mentioned factors are not utilized as adjustment factors in this report. The subject property of this report is considered as a continuous route useable as a railroad right of way. The subject appraisal considers that the main line Milwaukee railroad route would be terminated at Avery and that the total subject property would serve as a branch line type operation only. The Milwaukee Railroad operating experience in the last several years throughout the subject region has included numerous train wrecks.

The winding route of the Milwaukee Railroad route, including much of the subject property, is considered functionally obsolete as a railroad. This functional obsolescence is not considering railroad trackage or equipment, but considers the engineered route. Recognition of the functional obsolescence of the subject route would deserve greater recognition, as compared to other parts of the underworker system, if this portion of the subject route were to be maintained as a transcontinental carrier route.

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D. CORRELATION AND CONCLUSION (CONTINUED)

The attempt in this report was to balance the various potentials of the subject and reach the most stable and probable value. The following bell curve is self explanatory, including the indicated value levels selected for the subject. The location is the median of the market, which should give the buyers and the seller equal advantage and provides more meaning to the subject value "range" which has become more popular in appraisal presentations. Ranges themselves are not meaningful unless the chance for obtaining a price at some other point is explained. The "bell curve" is an attempt to show visually the market range including the predictability of any point within the range. The "bell curve" is a mathematically realistic explanation of potential values within a normal value range.

To prepare a true market picture, there would need to be at least 14 sales of railroad lines to establish the true shape, height, width and length of the range. These curves can be bimodal or canted as well. This presentation is not intended as support for the value herein, nor does it in any way substantiate the conclusion because adequate market data was not available. It does, however, indicate other value potentials for the subject, shows potential for transaction at that level and indicates why the median was selected as the fairest of value level for this appraisal.

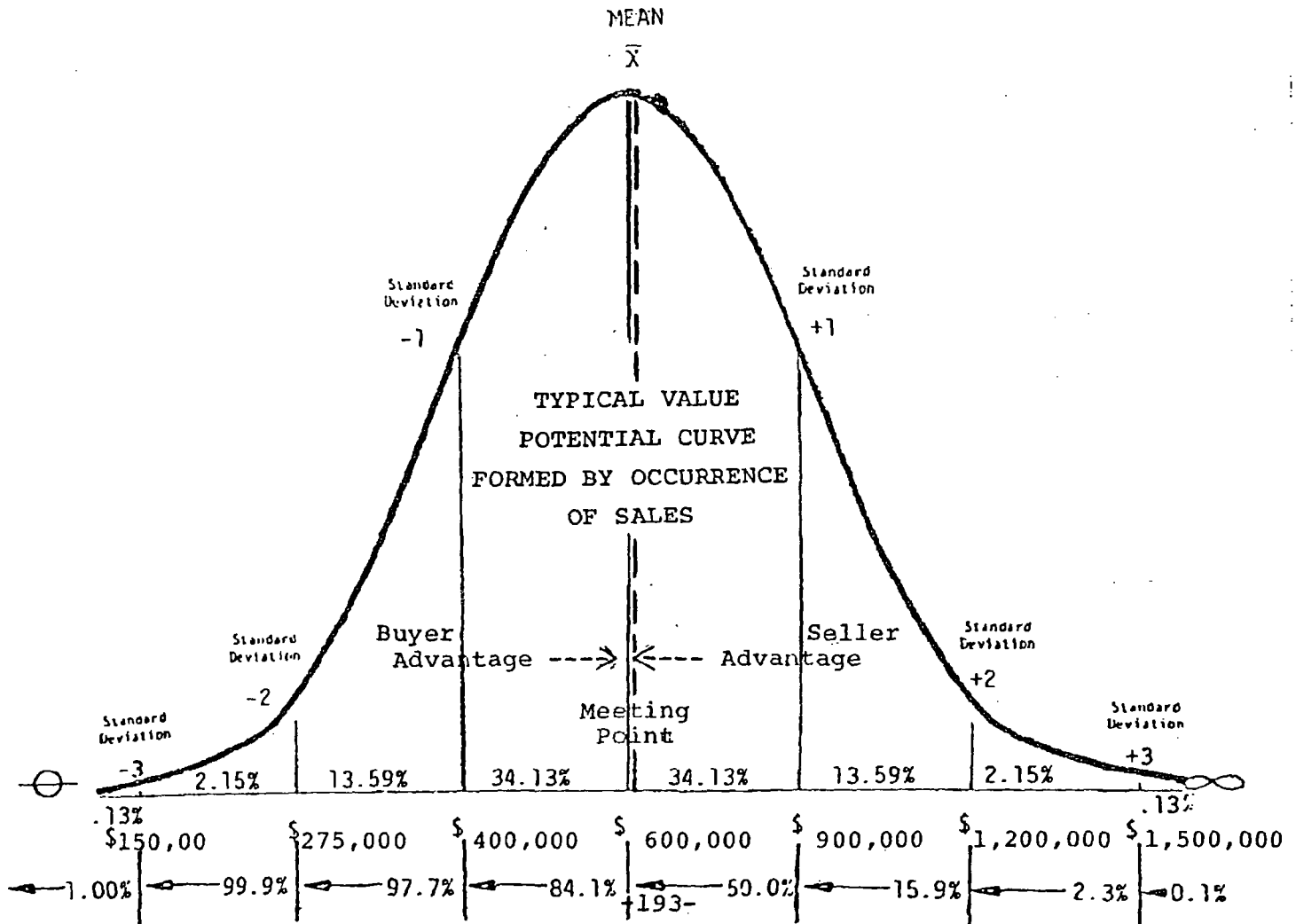
The Market Data Approach was the only technique completed in this appraisal. The Market Data Approach presents the most recognized and logical value of the subject and is accepted as the best estimate of value for the subject property at: \$606,500.

INDICATED SUBJECT VALUE LEVELS

The true value of any property is a range and not just a single value. There are a number of statistical studies which show that the value probabilities of a subject usually follow a curve which is the same as that shown by an adequate number of comparable sales. Market curves vary--so, of course, subject curves vary. But nearly all follow a general pattern best typified by the normal curve shown below. This curve represents the typical outline which would follow the plotting of an adequate number of sales obtained from the market and adjusted for all physical differences to the subject. While this curve may not be exactly typical of the market (and consequently the subject) it is a valuable diagrammatic presentation which gives the viewer a basic idea of how price-opportunity varies. The percent chance of sale price occurrence varies by the price level.

The subject value level selected and indicated by a dash line below reflects the definition of value used in this appraisal. Basically, higher prices indicate less probability of obtaining that amount. This is caused by a reduced interest and lower number of potential purchasers. Conversely, lower prices increase chances of achievement, which is caused by increased interest and a greater number of potential purchasers.

The basic statistics of the bell curve are universal and have been calculated for comparable properties. The mathematical statistics have not been specifically performed for this subject, unless indicated otherwise below. Therefore, certain tolerances must be allowed for interpretative and statistical errors.



Percent chance of sale price occurrence at typical mean and standard deviations - - indicates the market level selected.

WESTERN APPRAISALS & SURVEYS

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X. CONTINGENT AND LIMITING CONDITIONS

The certification of the Appraiser appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report:

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be marketable. The property is appraised as though under responsible ownership.
2. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
3. The Appraiser is not required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefor.
4. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions, furnished to the Appraiser, and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
7. Disclosure of this appraisal report is governed by the By-laws and Regulations of the professional appraisal organizations with which the Appraiser is affiliated.
8. Neither all nor any part of the contents of this report, or copy thereof (including conclusions as to property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which he is connected), shall be used for any purposes by anyone but the client shown in this report, the mortgagee or its assigns, private mortgage insurers, consultants,

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X. CONTINGENT AND LIMITING CONDITIONS (CONTINUED)

professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or of any State or of the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the Appraiser.

9. On all appraisals involving proposed constructions, the appraisal report and value conclusion are contingent upon completion of the proposed improvements in accordance with the plans and specifications prepared by NA, with a last revision date of NA, which have been initialed and dated by the Appraiser.

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XI. CERTIFICATION

The Appraiser certifies and agrees that:

1. The Appraiser has no present or contemplated future interest in the property appraised and that neither the employment to make this appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The Appraiser has no personal interest in or bias with respect to the subject matter of the appraisal report or the parties involved.
3. The Appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed herein, and that according to the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and that the Appraiser has not knowingly withheld any information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinion, and conclusions contained in this report).
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organizations with which the Appraiser is affiliated.
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears in this appraisal report. No changes of any item of the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.



Terry R. Rudd, M.A.I.
Gary E. Meisner, M.A.I.
Lynn A. Reddekopp, Appraiser

December 11, 1979

Date